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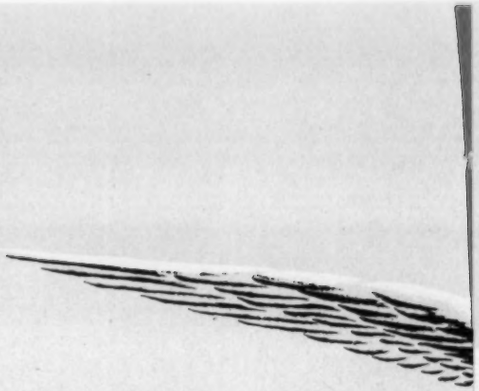

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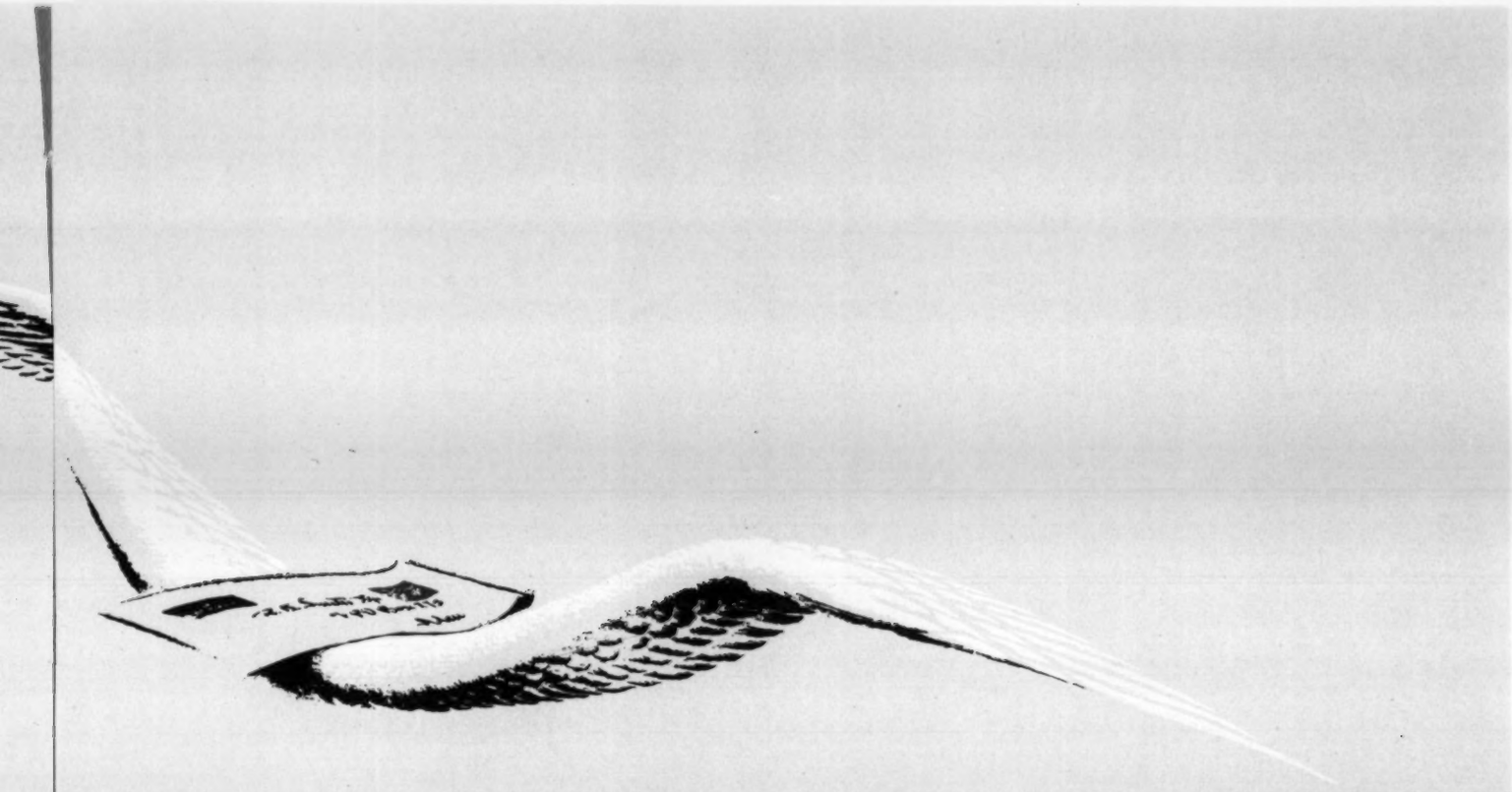

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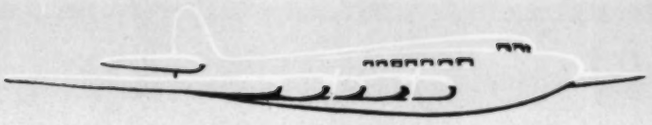

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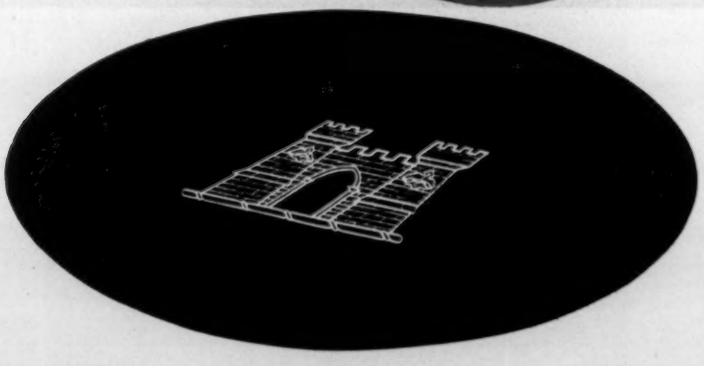

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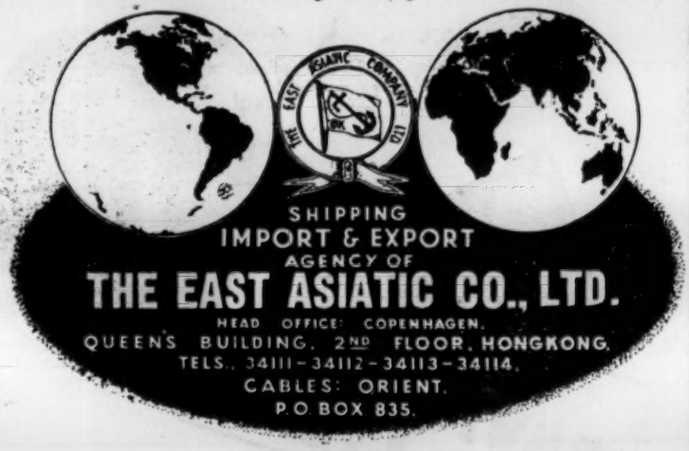

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FAR EASTERN
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MENACE OF PEKING

The Chinese People's Government, through Mr. Chou En-lai, has formally announced that it regards the Treaties recently signed with Japan—by the Powers chiefly responsible for defeating her—as being treaties not of peace but of "war and enslavement." They involve, in the eyes of the Communists, a revival of Japanese Militarism, the preparation of a new war of aggression, and the "isolation of Japan in Asia." There is no hint whatever of negotiations or even of an exchange of notes similar to that between India and Japan, announcing that the state of war has ended. Peking's statement is, in fact, a re-affirmation of the state of war that still technically exists between them.

Nothing has so clearly demonstrated the determination of the Peking Government to entrust its whole future and fortune to the Kremlin. If ever the Chinese wanted to break out of the coils and, like Tito, develop a free and independent line of their own, this was the supreme opportunity. It has been incontinently rejected, in the face of every sane and wise counsel.

This uncompromising stand, underlined the next day in a far from statesmanlike article in the People's Daily, will be regarded everywhere as a decisive gesture as between the hopes of peace and war, in what is undeniably a crucial period. Apart from the sharp denunciation of the Treaties with Japan, the statement not only refuses to recognise these treaties but implies that China will sign no peace with any regime in Japan unless it be a Communist regime. The separate treaty between Japan and the Nationalists is dismissed on the pretext that it is "hostile to the Chinese people"—a remark which illustrates anew the arrogant confusion of Party and people.

The matter is all the more serious because of the virtual breakdown of the Korean truce talks, and the infusion of a moral principle into the exchange of prisoners. Truly have the Chinese Communists travelled far in the three years since Mao Tse-tung proclaimed he could not take a third road, could not stand alone on an independent policy friendly to all the world, but must choose one of two ways only—between what he called "Imperialism" and what are called, no less speciously, the people's democracies.

In the thousands of years the Chinese people have been in existence as an organised community no such confession was ever made. No government in all China's history ever proclaimed that it could not stand alone. And it was said by the head of a government which proudly proclaimed at the same time that the Chinese people have now "stood up." Even the Manchus in the days of their decadence, and the Republicans who took over, never confessed such ineptitude. The foreign policy of dependence on a single group was given the ludicrous description of "leaning to one side." Now, alas, the leaning has gone so far that it involves a profound threat to nearly all that has been accomplished in the past as well as to the consummation of the Revolution.

This was described in true and simple terms a century ago by Wang Tao, a contemporary of Prince Ito. He might have done the same for China that the great pioneer statesman did for Japan, but he ended here in Hongkong as a writer of editorials while China went from destruction to destruction, from frustration to frustration, and Japan made herself a great Power. The objectives remain: "To enable man to exert his utmost capability. To utilise land to its utmost fertility. To use Nature to her utmost utility. And to circulate goods with the utmost fluidity." This was the way in which Wang Tao outlined the scientific, technological and democratic culture of the West. He tried to induce the Taiping leaders to see things in the same light, and if they had listened a wasted century might have borne fruit long ago, as in the Meiji era in Japan. But fanaticism and superstition destroyed the revolutionaries then, as they threaten to reproduce tragedy now. "What has taken a hundred years to build can and is being destroyed in a few months, in a few days," says Dr. Hu Shih. The benefits of the new technology, science, culture, institutions and a new way of life, introduced in China and made available to Chinese students abroad, are being destroyed, he said, by Communist Imperialism which is suppressing freedom of thought, speech, worship, expression, and even silence. The Communists have laid the axe to the tough and enduring old culture and to the new, pro-Western culture. By a warlike policy they can destroy themselves as well.

But the new destruction of the books, the stimulation of class hatred, the setting of shop assistant against shopkeeper, of son against father, of pupil against teacher, the policy of piling disloyalty upon disloyalty instead of loyalty upon

loyalty, are of less concern to the outside world than to the Chinese people themselves. It is the foreign policy of the new regime that is of concern to all. It is the one single factor that can bring this chapter also to an end amid the wreck and ruin that is Korea today. Internal policy operates within a phenomenal range of energy but not one of the comforting interpretations of two years ago has held ground. The socalled Menshevik Revolution has been wiped out with arrests and terror instead of massacre as in Russia, but it has ended just the same. The most rebellious but the least revolutionary of peoples—as the Chinese were known throughout history—have now become the most revolutionary, and if war does occur they may well become in due time also the most rebellious. The Communists set a pattern in the last war which would almost certainly be repeated in the next, with the roles reversed.

Land reforms unsettle the peasants and leave production less not more efficient. Socialist economics and the terror methods annually applied keep the economy in a ferment. The Socialist surge in 1950 brought all production to a standstill for six months, and then came intervention in Korea. All the exhortations and propaganda, the working up of labour and peasant to unprecedented physical exertions, have added but little to the total sum of productive advantage. The armed host of five million and the even more numerous host of officials ensured that the debit in the national ledger would continue to grow. The three months and more of the "'anti" campaigns distrained on what was left of private capital, without ensuring that a single dollar of the levies will go to State investment and not be swallowed up in the demands of the armed forces and the immense bureaucracy.

The evils of the Communist method vie with the passionate purpose which the fanatics bring to it. The dispassionate beholder sees how costly and destructive, arrogant and ruthless it is. But these things are still "domestic." It is the militant, aggressive, expansionist passion of Communist Imperialism which is the great peril of the age, alike to constructive achievement within and to peace without. The American ideology of free enterprise, like the Russian ideology of Communism, presents a social blueprint as a panacea for every conceivable social ill in every known set of social circumstances. As Toynbee points out, this doesn't fit the facts of real life, in which every social system that can be observed at first hand or reconstructed from records is a mixed system, lying at some point between the two theoretical poles of undiluted socialism and undiluted free enterprise. The true task of statesmanship is to find the right mixture for the right time, but it must get off the ideological pedestal and treat it not as a matter of semi-religious faith and fanaticism but as a common-sense, practical question of trial and error.

Spengler warned us of the mortal danger to civilisation of War and Class, especially if the Colour factor came into it too. So far War and Class have managed to kill off nineteen of the twenty civilisations known to history. It is true that in former times, when it was wiped out in one part of the world, it continued to flourish in another. But now science and invention in this jet and atomic age provide war and class with warnings more devastating than all the experience of history hitherto. The internecine warfare of our time has to be seen in a new and broader perspective. It is the deadly enemy of civilisation—not the motive force of history as its totalitarian advocates would have us believe. But it is also a challenge, with different but by no means irreconcilable responses in the tremendous profusion of capitalist production in America and the social justice of the socalled welfare State in Britain.

CHINESE COMMUNISTS AND "BOURGEOIS INTELLECTUALS"

The spasmodic efforts of the Communist hierarchy to change the thoughts and ideas of the "higher intellectuals" have merely produced an exasperating display of the superior dexterity of the professors. Recently the Communist doctrinaires followed up the onslaught upon the industrialists and merchants with diatribes against the "bourgeois ideology" of the intelligentsia. The position as it has now developed was described as a fierce struggle between bourgeois and working-class ideology. The higher intellectuals, it was declared, were no longer "progressive." Their ideology is bankrupt and decadent, and their character double-faced, wavering and reactionary.

The principal dialectician of the Communist Party "technicians" (Ai Szu-chi), who had the grace to admit that the bourgeois teachers might have been of some value in opposing out-and-out feudalism, later apologised for this sign of grace and engaged in another furious philippic against them, especially Chinese intellectuals (including engineering and technical personnel) who had had long periods of bourgeois education at home and abroad. It is now contended that the "new democratic revolution" of China was won by opposing the bourgeois ideology. Some of the Communists denied that the "Wu Fan" campaign had any other motive than the suppression of the five evils. But it was clear then, and still clearer now, that the revolution had turned full front upon the middle-classes.

The consequences will be tragic for the small top-storey of outstanding intelligence and learning that hitherto had given China its high intellectual status in the world, despite the 80% of peasant folk of whom the overwhelming majority are entirely illiterate. But the beginning of the great purge has been mild enough. The President and two leading professors of Yenching were, not unnaturally, chosen as the vanguard of the victims. They are Dr. Lu Chih-wei, the University President, Prof. Chang Tung-sun, one of China's leading philosophers, and Prof. T. C. Chao, head of the Yenching School of Religion. All are distinguished graduates of American universities and noted Christians. All were sympathetic to the People's Government when it was formed and were indeed members of the People's Political Consultative Council. The long list of faults cited against them include the lack of outright hostility to the United States and the maintenance of contacts with American and other foreign ex-professors now outside the country. Worse is yet to come no doubt.

The preliminary stages of the campaign to substitute new contents for old in the brain-pans of the professors and lecturers of the higher educational institutions in China began last autumn. It has a long way to go even if Chinese intellectuals have lost something of the character and traditional argumentative pugnacity of their forefathers. But of the importance of the campaign the Communists make no doubt. Indeed they practically admit that all is lost unless they can convert the intellectuals to the gospel according to Marx and Mao. A minatory note is therefore natural, and in the approach to this problem the higher Communist officials hardly trouble to veil it. They have turned universities of national, or international reputation, upside down. They have abolished, by a peculiarly contemptible gesture, Yenching University—to which that great friend of China,

Dr. Leighton Stuart, gave the best years of his life. But they make it clear that it is far more important to change the intellectuals than to change the educational institutions.

Two years of liberation and revolution have not made much difference to the professors. The Vice-Minister of Education (Chien Chun-jui) admits as much in his statement which began the campaign. He says that two years after the new dispensation came in behind the Liberation Army, the staff of the higher institutions still adhered to the reactionary thoughts of the British and American bourgeois class. If they persisted in sticking to this and to their "personal individualism, objectivism, and sectarian point of view," and failed to carry our "true reform," then all phases of the reform of higher education will flounder and decisions on the reforms must inevitably remain a dead letter. He insisted that this argument had been sustained by the "slow rate and limited scope of change" attained by the great majority of professors during the past two years.

Only a handful of the Communist elite can encounter the Chinese professors without a feeling of inferiority. The proportion of confirmed Communists who have had a first-class education both at home and abroad is small indeed. This presented difficulties which required a special approach and a more delicate technique than customary in the brain-washing business. Indeed they instituted a general study campaign and got the Premier himself (Chou En-lai) along to talk to some 3,000 professors for five solid hours. From this first meeting emerged a special committee of 19 pioneers, headed by the Minister of Education (Mr. Ma Hsu-lun), which some weeks later sponsored another meeting of some 4,000 faculty members. Next came a stream of confessions in which some noted intellectuals explained how they had struggled with their thoughts, distorted by feudalistic backgrounds or by studies in such backward countries as the United States or countries in Western Europe. They wept as copiously as the Walrus at what they had done with their lives. Some of them took higher degrees in the most celebrated universities of the U.S.

The reform of the intellectuals was put in cunning context. China could never complete democratic reform or become industrialised without ideological reform, and first of all the ideological reform of the intellectuals—as Mao Tse-tung himself insisted. This is now placed by the Vice-Minister of Education in still closer relation to the dream of tall chimneys. He declares that a fundamental phase in the work of national construction lies in the training of construction personnel. The arduous task of training large numbers of senior construction personnel, fully prepared to devote themselves to the service of the people, falls upon the shoulders of the universities.

"Within the next five or six years," says Chien Chun-jui, "it is incumbent upon our institutions of higher education to train up for our country 150,000 to 200,000 industrial, agricultural, communications, and transport, medical and other categories of senior construction cadres." Only in this way, he hinted, could the universities justify their existence. Indeed, he insisted that all the existing universities must abandon their former methods and curricula, and convert themselves into good imitations of the socalled People's University and the North China College of Technology. He admitted that many worshipped the institutions, wealth, political freedom, and the way of life of the Americans, and were impressed by Anglo-American science and technique "to the extent of being superstitious" (!!) and of casting a contemptuous look at Soviet science and technique. Moreover, they had "little understanding of faith" in the creative power of the Chinese people. "Such a trend of mind," exclaimed the Vice-Minister, "represents basically the reactionary compradore mentality of the compradore-capitalist class of semi-colonial China. It is the most dangerous enemy of our national, scientific, popular cultural mind, i.e., the New Democratic cultural mind." Accordingly, faced with such an "extremely dangerous enemy," it becomes the duty of every "conscientious and worthy Chinese to deal a mortal annihilating blow." He denounced the strong individualism and objectivism in mind and attitude, and the tendency towards dogmatism which isolates theory from practice, which was one of the "basic characteristics" of the old education. Singularly enough for a doctrinaire Communist and an avowed disciple of Marx, Lenin, Stalin—he was particularly bitter about the "brandishing of foreign dogmas," and about the habit of giving lectures in English. There was nothing for it but to adopt the Marxist standpoint, fall back upon revolutionary patriotism, internationalism and collectivism, and follow the "working class's basic viewpoint of theory and practice."

One of the first things to do was to convert the universities into schools for the broad masses of workers and peasants, instead of being taken as "lofty sanctuaries of the holy and the sacred." One of the places picked on for early purging and reform was Yenching, where the faculty and staff of some 240 went through the technique of criticism and self-criticism, barring mistaken concepts and promising to be better boys. The professors of Peita (which was the centre of the great literary revolution after the first world war and of the Cultural Renaissance that followed) and of Nankai were guided toward the overthrow of their proudest figures, Dr. Hu Shih and Dr. Chang Po-lin. By this time, of course, Tientsin had been caught in the net, and the number of faculty members doubled to 6,500.

The process of recantation was laid down in careful stages. First they had to study Chou En-lai's guide to ideological reform, then study the Party viewpoint of the Party leader Peng Chen on the three major movements of the time so as to expose reactionary thought. As the third stage, they had to become acquainted with the treatise on the History of the Chinese Communist Party, and Chen Po-ta's essay proclaiming that "Mao Tse-tung's Theory of the Chinese Revolution is the Combination of Marxism-Leninism with the Chinese Revolution." The object of this was to study the basic concepts of Communism. In the fourth stage, the professors were required to study Li Fu-chun's report on economic reconstruction and the training of cadres so as to square education with needs, while the fifth stage called for the formulation of concrete measures for reform of higher education.

Thirteen old professors—could they have been his opponents in the "literary revolution?"—were scraped together to discuss Dr. Hu Shih, their personal experiences and the problem of Peita's traditional guiding thoughts. They came to the conclusion that the most representative symbol of scholarly reaction was not any of the ancient order but the man who was the outstanding thinker and reformer of the days when Chou En-lai was a student at Nankai—Dr. Hu Shih! He was picked out not because he was in fact a reactionary, but because, like Liang Chi-chao before him, he dominated an entire generation of Chinese thought—and because he stood for totally different ideas than those of the Marxist. No doubt it was also necessary to uproot and lay low the huge, human, simple Christian figure of Chang Po-lin, the man who built and made, almost with his own heart and hands, the Alma Mater of Chou En-lai.

There appeared to be no difficulty in expressing "utmost indignation" or in bringing up "the most moving accusations" against Hu Shih; although those who know this extremely fine person well will find it hard to believe that any one of his accusers is fit to walk in his shadow or to polish his boots. But he was, after all, an outstanding man in the

sphere of scholarship and as such calculated to arouse controversy among the pedants and those who had no use for the pragmatic school of Dewey. Dr. Chang Po-lin was pre-eminent for his character as an administrator and Christian, and though Chou En-lai (who was the chief of the Nankai student agitators in 1919) gave the Tientsin professors a start, the greater part of them were "burdened with some wrong views." Some actually thought that as they had been doing nothing but teach the students and therefore served the people, they had no need to "undergo reform." Even the Communist professors were abashed.

Yenching professors, of course, discussed Dr. Leighton Stuart, who gave a life of service to it and to China and now knows what the blackest of ingratitude is. The main general target was "reformism," and to this "black art" most professors seemed willing to confess. They may perhaps have asked where the hierarchy of the Communist Party would have stood today but for them and the great bridge they built between the ignorance of their fathers and the sublime prescience and wisdom of the Latter Day Saints of Marxism. There seems to have been a most lively controversy—to fill in time and add a note of realism—whether Reformism came before or after Capitalism! Another factor adding verisimilitude to the academic scene was the professors' confessions of lack of touch with the masses, and their social background deep in the bad, bold bourgeoisie.

The Communists were, not unnaturally, almost exclusively interested in the professors who had had long spells in America. Professor Chin Yueh-lin, Dean of Arts and Chairman of the Department of Philosophy at Tsinghua, said to be one of China's outstanding logicians, drafted a positive masterpiece of the Marxist confessional, of arrogant assertion of wrong-doing against the Marxist code and of cunning cancellation by reservation—"I could not rid myself of my compromising nature." As an exercise in dialectics, but not of Marxist materialism, it would be hard to beat and one would have given much to watch a Party Inspector of Intellectuality struggling with it.

ASPECTS OF CHINA BY SIR FREDERICK MAZE

Readers of the Review will be interested to hear that Sir Frederick Maze, K.C.M.G., K.B.E., the former Inspector General of the Chinese Maritime Customs Service, now living in Canada, is preparing a series of articles on certain aspects of China.

Sir Frederick Maze, who was Commissioner of Customs in Shanghai during the period 1925-29, took particular interest not only in the Customs service and lighthouses but also in the port management, Shanghai at that time standing fifth among world ports in so far as tonnage was concerned.

As is well known the Chinese Maritime Customs, over which Sir Frederick Maze presided during the final 15 years of its existence in the form known in the spacious days of bygone times, was divided into two sections, Revenue and Marine. The latter enbraced the control of the Lighthouse Department and the administration of Harbours, etc. Indeed the Chinese Maritime Customs in Shanghai acted as the Port Authority, but without a formal understanding relating to their authority to do so.

Many restrictions were placed on foreign ships under "extra-territorial rules" during the period of Sir Frederick's service in Shanghai, as in order to introduce a new harbour bye-law the unanimous approval of some 19 consuls was necessary which was indeed "a difficult, not to say, irritating task." In spite of these difficulties, however, the Port had a smaller executive than any other port in the world of corresponding tonnage and was in point of efficiency second to none.

One of Shanghai's outstanding features with which Sir Frederick Maze intends to deal, is the romantic story of Sir Robert Hart's great achievement in the interesting field of modern pharology, the very successful establishment of the famous Chinese Lighthouse Administration which was considered equal, if not superior, to any similar institution elsewhere in the world. These articles by Sir Frederick promise to be of considerable historical value and of very great interest to all those who knew Shanghai in the heyday of its splendour.

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INTRODUCTION TO THE ECONOMIC HISTORY OF CHINA

By Prof. E. Stuart Kirby
B.Sc. (Econ.), Ph.D. (Lond.)

"LOOK UP, UP, TO THE MOUNTAIN PEAKS:
BUT KEEP YOUR FEET ON THE BROAD HIGH ROAD."
(SSU-MA CHIEN)

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My cordial thanks are due for the understanding and assistance extended by Japanese scholars in the fields concerned, at the many Universities and Institutions I visited at Tokyo, Kyoto and elsewhere. Their names, and their individual actions in support of my work, are really too numerous for detailed mention. I would wish however to refer particularly to the Oriental Research Institute at Tokyo, and the Institute for the Humanities at the (Imperial) University of Kyoto, with their Directors and staffs; together with those at the Hitotsubashi University, Tokyo, who have so liberally concurred in my direct and extensive use of their material published in Japanese.

I am similarly indebted to a number of Chinese scholars—whose names, for quite another reason, I cannot cite at present—who have assisted me by correspondence and by furnishing material sometimes in defiance of a political regime which classes a study of this sort as "cultural aggression."

Personal assistance in research and bibliography has been rendered by Mr. Y. C. Wang of Manila and Mr. Alfred Khu of Hongkong, to whom I am especially grateful.

None of the above-mentioned persons or institutions is, however, in any way responsible for the views and conclusions in the following pages, which are entirely my own.

I. PREFACE: THE PROBLEM AND THE DANGER

The following pages are intended to provide prolegomena —i.e. preliminary and preparatory observations—to a study of the Economic History of China. There does not exist, in English or any other European language, any single or satisfactory work on that subject. There are, of course, numerous monographs dealing with one aspect or one period in the Economic History of China, but practically no work which represents a single or integral treatment of this essential theme. We have, in fair number and varying degrees of adequacy, General, Social, Cultural and other Histories of China, which must necessarily bear on the economic field, and make some incidental contributions to it; but there is none which is specifically and analytically Economic, in intention or effect.

This statement is a generalisation, which will be more critically examined below; but it will be widely acceptable as a starting point in this discussion. The lack of such a concretely "Economic" History of China would in any circumstances be a serious gap in Western scholarship. In the present situation, the deficiency implies something more; it constitutes a definite danger, from the intellectual and political points of view. For China has fallen under a doctrinal regime, one of the basic tenets of which is the attribution of a special importance to economic history, the reduction of all history to its economic aspect, and the projection of the conclusions thus reached into the present and future, as determinants of current practice.

If there exists no unitary or standard Economic History of China in Occidental languages (even Russian), such is naturally not the case in Chinese, in which there is a vast literature with a number of basic works in this field. The "economic" intention and treatment in Chinese historiography are however entirely recent. Apart from some slight and temporary influence of the European (and American) "Historical School" of Economics and Sociology in the early part of the present century, the rise of Economic History as a subject of study in China has been associated very largely with the Marxist currents in that country. It has used the Marxian terminology and methods throughout. From the scientific point of view, these are now "dated" and difficult of application, even in those Western countries which Marx himself knew. Marx' views on the subject were crystallised one hundred years ago; in that time all the social and technical conditions, and the whole basis of scientific thought, have completely changed. When these views and this terminology were applied to the exotic and heterogeneous conditions of China, the resultant confusion and distortion were very great. The essential terms—even those which are inherently the most simple, and even those which are the least discrepantly used in Russia and other Communist countries—are carried to the extreme and jargon and irrelevance, in contemporary China. Such terms as "feudal," "monopoly," "proletariat," etc., are used so indiscriminately and anachronistically as to rob them of all meaning.

Unless and until there has been a great "Rectification of Names" in the Chinese academic world, and free and equal discussion is restored between Chinese and Western scholars, there is no possibility of their mutual understanding—they will not even be speaking the same language. The Communist State is vigorously pursuing the opposite policy, however, in both these respects. It has imposed an intellectual blockade of China; all communications are severely discouraged, except in the direction of Russia. Internally, all existing works and opinions are being made to conform to the Sino-Marxist "line," not only in content, but also in manner and style. All documents or evidences not amenable to this Procrustean treatment are being falsified, ignored or suppressed.

Fortunately, a great deal of material exists outside Communist China, which might be used for a reconstruction of this subject, to rescue this field of study from the prospects of Sino-Russian inbreeding and political stultification. Expert work in this field is continuing in Formosa. A great expansion of Sinological studies is proceeding in the United States, extensively equipped and provided; and there is some expansion in Britain, Australia and elsewhere.

But the richest storehouse is Japan. Studies in this field had proceeded, before and during the War, to the point of giving Japanese scholarship the leading position in this respect. Most of the leading Chinese scholars in the field of economic and social history, including those now in academic and cultural command at Peking, graduated in Japan and developed their special ideas and contributions there. (Incidentally, this is a specially important, but so far unexplored, instance of contemporary cultural interchange. In the following, I have indicated the best and most influential translations of principal works, in the language concerned).

Japanese libraries are full of material on China—including all the basic and derivative documentation in Chinese, much of which the Peking regime is now concerned to suppress or subvert, as well as the abundant and effective Sinological literature directly in Japanese. Japan has scholars making full use of this material at the highest expert level, in suitable and fairly well equipped Institutions, and their work

sustains a multifarious activity of Journals and Societies in Japan.

In the early stages of the present "Overturn" in China, the hopes of the intelligentsia ran high. The hope was that in this realistic and worldly-wise country, professing a truly popular political and cultural basis, surely the crudities of primitive Marxism could be avoided, together with the rigours and constrictions of political Stalinism. It was hoped that the Marxists, in such an environment, would develop a constructive application of their doctrine to changed circumstances. Would they favour the world, at last, with a precise and detailed sociological analysis of the morphological connections between the "underlying" production-relations and the "resultant" ideological and social "symptoms"? Alas, all such hopes have already been disappointed; the innate Fundamentalism of the Marxists has again triumphed, and we are further back than ever, as we behold the century-old economic judgments, which may or may not have been appropriate to Europe in 1850, and the nineteenth-century Sociology of Engles-Morgan, applied compulsorily and indiscriminately to East Asian conditions in which their basic assumptions are irrelevant.

A prolonged, and possibly definitive, estrangement between East and West is imminent on this plane. It is a duty, for the free Western peoples, to meet such a threat. One constructive means of doing so is the extension of all types of Sinological and Oriental Studies. In this field, Economic History claims a key position; yet it has been comparatively little developed, in its application to Asia, by the Western world.

The present publication is intended to appeal to Western Students, in particular, to take up this subject in increasing numbers, and to Western authorities to provide facilities in that direction. It is intended more generally to demonstrate the inherent interest and importance of the subject, and to provide an introductory explanation of the state of work in this field, the nature of the problems arising, and the main requirements outstanding. Chinese and Japanese scholars, to whose understanding and competence in this field no Westerner can ever fully attain, must be asked to overlook defects, and co-operate in this common task.

The author's intention is to proceed eventually to the writing of an Economic History of China, in the form of a single-treatise survey on up-to-date lines, such as he has asserted above to be lacking in the Western languages or the Western manner. The present notes offer a prolegomena, and a critical bibliography of relevant works in Chinese, Japanese and the principal European languages. Until this is done, the scholar must (in the classic Chinese phrase) still be one who leans against another's door, not yet venturing to enter the inner hall.

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TREND OF BASIC INDUSTRIES OF JAPAN

COAL MINING INDUSTRY

Supply and Demand

The coal mining industry, which for a considerable period had been in a sluggish state after decontrol in September 1949, took a favourable turn with the outbreak of the Korean war in June 1950, as general industrial activity became brisk. The demand for coal increased to such an extent that cries of coal re-control could be heard in some quarters. The disparity between coal supply and demand not only carried over into 1951 but tended to become worse, particularly with the February strikes. By the end of February, coal stocks had dropped to 1.49 million tons as compared with the 2 million tons recognized as the normal standing reserve. Without showing the usual seasonal fluctuations, stocks continued to drop month by month and at the end of September reached a low of 1.11 million tons.

The unfavourable balance of supply and demand despite the fact that coal output and imports had maintained anticipated levels and shown favourable conditions, was due to the heavy drains made on coal deliveries by increased industrial activity and the growing demand of electric power plants. With the growing decline in coal stocks, basic industries such as the iron and steel, ammonium sulphate and gas industries began to suffer from a shortage of coking coal and coal for the use of gas producers. The greatest effort was therefore directed by the respective industries toward securing an adequate coal reserve. As a result, at the same time as general coal stocks were continuing to diminish, the coal reserves of all basic industries excepting electric power generally showed a rising trend, thus preventing any fall in the scale of operations.

The central problem for the 1951 supply-demand situation was presented by the electric power industry. Coal procurement in this industry was seriously disrupted by delays made necessary by the controversies on the power industry reorganization plan, and the adjustments required after the split-up, and the coal situation began to grow worse from February 1951 until, by the end of June 1951, total coal stocks for all power companies had dropped to a mere 150,000 tons. This emergency was met by provisional measures in August and September calling, among other things, for advance deliveries by major producers.

At the beginning of the year the coal output for 1951 had been set at 44 million tons. However, the authorities finally came to the conclusion, under pressure of the growing instability in the supply-demand situation, that what was needed was not a make-shift solution but increased productive capacity. The production goal for 1951 was thus changed to 45 million tons with 47.5 million tons for 1952 and 50 million tons for 1953. In view of the need for strong government action in the realization of such a plan, "Measures for the Maintenance of Adequate Coal Production" were formulated at the same time and approved at the August 14 cabinet meeting (in December anticipated output for 1951 was revised to 45.6 million tons in the light of later developments).

The 1951 production goal of 45 million tons represented an unprecedented 14.4 per cent increase over the output of the previous year. Increased production necessarily presupposes rationalization of the coal industry itself. Past experience bears witness that forced production through harder working of the men with neglect of efforts toward rationalization should not be permitted. Plans for increasing production must look not only to the present situation but also to the distant future and it was precisely in this spirit that the "Measures for the Maintenance of Adequate Coal Production" were developed.

Coal Output

The serious state of the supply-demand situation and the 1951 production goal of 45 million tons greatly stimulated coal output. Output progressed favourably and in March 1951 hit the peak postwar monthly production mark of 3.83 million tons. Monthly production levels were generally maintained at or above the 3.5 million ton mark while October, despite a one-day strike at the end of the month, showed 3.93 million tons or a 5.4 per cent increase over the anticipated output. Total production from January 1951 to the end of October 1951 amounted to 38.84 million tons, an 11.2 per cent increase over 34.92 million tons for the corresponding period of the preceding year. Nevertheless output for the January-October period still lagged 1.9 per cent behind the anticipated 39.58 million ton mark, although it is certain that it would have topped this figure if it had not been for the February and November strikes (estimated losses for February 0.81 million tons, for November 0.68 million tons, total 1.49 million tons) and the fall in output occasioned in Kyushu and the western regions by a typhoon. In view of this rising trend, it is expected that barring a sudden turn, coal production for 1951 will top the anticipated goal.

As mentioned above, the urgent supply-demand situation was a stimulating factor in this unanticipated upward surge of coal output which took place in the face of two major strikes and other adverse conditions. However, due credit must be given to the progress made by the rationalization program in effect since 1950 and to the increased level of efficiency.

The number of workers began to drop from before the outbreak of the Korean war. The general downward trend continued after the outbreak but there was a slight slow-down in tempo and small fluctuations became visible. The drop-off carried over to 1951, finally hit bottom in June and then changed to a rise from July. It is noteworthy that this upward swing was largely attributable to the increase of underground workers.

Demand and Supply of Coal in 1951

(in 1,000 tons)

	Supply				Actual delivery			Stocks			
	Stocks at the end of preceding month	Production	Imports	Total	Domestic coal	Imported coal	Total	Mines	Harbours	Markets	Total
January	2,990	3,304	79	6,339	3,898	79	3,977	841	545	935	2,321
February	2,321	2,601	49	4,942	3,477	49	3,526	587	349	555	1,491
March	1,491	3,835	142	5,451	3,929	142	4,071	673	418	371	1,491
April	1,462	4,460	159	5,078	3,537	159	3,696	617	379	358	1,354
May	1,354	3,582	193	5,120	3,780	193	3,973	558	299	396	1,253
June	1,253	3,703	197	5,169	3,736	191	3,927	580	270	360	1,210
July	1,210	3,657	190	5,063	3,740	196	3,936	512	267	436	1,216
August	1,216	3,454	181	4,853	3,635	181	3,816	522	239	432	1,194
September	1,194	3,706	198	5,107	3,843	198	4,041	478	252	388	1,118
October	1,118	3,937	180	5,230	3,954	180	4,134	514	239	372	1,125
November	1,125	3,627	182	4,923	3,744	182	3,926	592	296	314	1,202

Note: Figures for supply do not increase or decrease during transportation; delivery excludes consumption of mining companies for own use.

Number of Workers and Coal Output per Worker

Number of Workers and Coal Output per Worker

		Workers (in 1,000 workers)			Coal output per worker	
		Underground workers	%	Total workers	Monthly tons	Daily tons
1950	Dec.	216.6	61.7	350.9	10.06	0.387
1951	Jan.	215.8	62.3	346.6	9.53	0.387
	Feb.	216.0	62.4	346.5	7.51	0.312
	Mar.	217.6	62.5	348.0	11.02	0.411
	Apr.	216.6	62.6	345.9	10.00	0.391
	May	216.1	62.7	344.4	10.40	0.408
	June	216.2	62.9	343.9	10.77	0.419
	July	216.7	62.8	344.8	10.60	0.408
	Aug.	217.1	62.9	345.0	10.01	0.394
	Sept.	219.0	63.1	346.9	10.68	0.427
	Oct.	220.6	63.3	348.3	11.30	0.422

Percentage indicates the ratio to total.

This increase in the number of underground workers brought about a great improvement in labour organization. The ratio of underground to surface workers was gradually improved from October 1950 with 61.7 against 38.3, to 63.3 against 36.7 in October 1951. The October 1951 figure of 63.3 represents the highest post-war ratio for underground workers.

The productivity of labour, one of the main objectives of the rationalization program, showed with minor fluctuations a general increase in monthly production per worker, excepting, of course, periods of strike.

Coal Imports

Following the outbreak of the Korean war, freight rates zoomed upward and contracts for the import of coal and coal arrivals were generally unfavourable. However, from about March 1951, world conditions became sluggish, shipping conditions became stable and coal arrivals turned favourable, showing 140,000 tons for March, 160,000 tons for April and 190,000 tons for May. Subsequent coal arrivals continued to maintain a general monthly level of 180,000-190,000 tons, the period from April through September showing a total of 1,119,000 tons. The first six-month period of 1951 alone thus exceeded the total 1950 coal arrivals of 996,000 tons. It is therefore expected that coal arrivals for 1951 will, in all probability, come up to the anticipated level.

Coal Prices

The selling price of coal commenced its upward trend from about October 1950, and, in 1951, exceeded the official price at the time when coal was controlled. Reflecting the growing seriousness in the supply-demand situation during 1951, coal prices continued to rise without showing the seasonal fluctuations usually occurring towards summer. The lack of coking coal and coal for the use of gas producers only accelerated the price advance.

Comparing the general price trend and the movements of coal prices on the basis of the Tokyo wholesale price indices prepared by the Bank of Japan, the coal price during the period from August 1949, before coal de-control had been carried out, to August 1951, increased 50 per cent, while the average price of producers' goods advanced 97 per cent for the same period. The rise of coal prices thus lagged behind the advance of the general price level although the effects on the entire industrial structure of the price increase of such a basic product as coal are sure to be far-reaching. Thus, the question of high coal prices was brought up for discussion in some quarters in connection with the implementation of Japanese-American economic cooperation and the demands for rationalization of the iron and steel industries.

Cost Price and Management

The cost price in coal output continued at an approximately even level from the outbreak of the Korean war to 1951 when it first began to show a slow rise, showing in June of that year an 11.5 per cent increase over June 1950 directly before the war. That the increase was kept down to this level despite the presence of strong factors making for rising costs, such as increase in material, operating and wage expenses caused by the advancing general price level and rising wages, was due in great part to the counter-balancing effects of increased output, economies in materials and a diminishing labour force. The increase in the number of workers from July has already been mentioned. From about this time, the rising prices of lumber, metals and other materials began to tell and the total cost for coal output gradually soared upward, the September figures showing a 38.8 per cent increase over June 1950. Material and operating expenses were the most prominent, accounting for one half of the total increase. The ratio of wages to other expenses, on the other hand, continued even despite wage increase following the February strikes, and after July dropped below the 50 per cent level for the first time since the end of the war.

Wages for workers, leaving out of account bonus payments and the results of the February strike, followed a general rising trend, October 1951 showing a 15 per cent increase for underground workers (total monthly earnings Y13,160) and a 17 per cent increase for adult surface workers (total monthly earnings Y9,400) over the corresponding period of the preceding year. It is expected that the earnings of workers will see extensive increases from November as a result of wage increases accompanying the November strike, increased efficiency and enlarged bonuses.

It has been pointed out that the increasing demand for coal following the outbreak of the Korean war brought about brisk activity in the industry. On the other hand, collection of the increasing credit sales did not go smoothly and this in turn brought about a shortage of working capital and consequent accumulation of unpaid debts. These unpaid debts of 18 major companies, including those incurred in both ordinary operation and expansion, increased from Y12,776 million in December 1950 to Y12,988 million at the end of March 1951 and to Y13,288 million at the end of August 1951.

It was only by the greatest effort that in the face of many difficult conditions the coal industry finally managed to throw off in 1950 the deficit under which it had been operating since 1946. The rate of profit to the total capital employed of the coal industry showed, for the first time since 1946, 2.3 per cent for the first six-month period of 1950 and 5 per cent for the second six-month period. These figures, however, are very low when compared with the corresponding figures for industry in general and other mining industries, the more so when the superiority is recalled which coal mining had enjoyed prior to the war relatively to those two. (During the first six-month period of 1951, the rate of profit for 7 major companies rose to 11.2% but it is presumed that rates of profit for other industries were even higher).

It has been remarked that if such profits, over and above deductions for dividends, reserves, depreciation and the additional investments peculiar to the coal mining industry, are applied to short-term liquidation of huge loans from the Reconstruction Finance Bank and other sources, it would hardly be possible to divert any part of the profits to expenses for the expansion of productive capacity and to augment the working capital. The two important problems in 1951 were thus the special adjustment of loans from the Reconstruction Finance Bank and the fair revision of relevant tax laws. These two problems have not yet reached a definitive settlement but it is desirable in the interests of an independent coal mining industry and increased production that speedy and proper action be taken toward that end.

ELECTRIC POWER INDUSTRY

Introduction

The year 1951 was one of hardship for the electric power industry. An epoch-making reorganization plan was put into operation and in the place of the Japanese Electric Power Generation and Transmission Co. and nine distribution companies, nine electric power companies were newly established, each combining the three fields of power generation, transmission and distribution. These newly established companies immediately carried out the long-postponed revaluation of property. They were also confronted with the problem of determining upon fair power rates but stiff popular opposition on the issue of rate revision forced them to make concessions. On the other hand, in direct contrast to the super-abundance of the two preceding years, the water-flow began to drop off from the start of the new year and this, coupled with an increase in demand, seriously threatened to overthrow the balance of supply and demand. The abnormal drying-up of water sources during the three months of August, September and October gave rise to a critical shortage of electric power and this rendered necessary legal restrictions on the use of electricity. The determination of the principal agency to be responsible for the development of electric power resources still remained unsettled at the close of the year despite the fact that such development constituted the fundamental solution to the problem of equilibrium of supply and demand.

General Survey of Supply and Demand

In 1949 and 1950 favourable hydro-power generation due to abnormally abundant water-flow and rehabilitation of thermal-power sources raised the average monthly power supply to more than 3 billion KWH and even the increased demand following the outbreak of the Korean war posed no serious threat to the balance of supply and demand.

With the coming of the new year 1951 came a succession of dry days which brought down the rate of water-flow from 122 for the preceding month to 104 for January. Thermal-power generation was unable to compensate for the resulting decline in hydro-power output and in February it became necessary to restrict the use of electric power in the Honshu and Kyushu areas from the 12th through the 28th. Hydro-power generation dropped from 2.9 billion KWH in December to 2.4 billion KWH in January and again to 2.2 billion KWH in February. Termal-power generation, on the other hand, was enlarged from 0.7 billion KWH in December to 1.0 billion KWH in January and to 0.94 billion KWH in February. In March, hydro-power output again reached a high level of 3.15 billion KWH and, together with the thermal-power output for the same month, showed a total of 3.73 billion KWH, the highest post-war figure.

Favoured by continued abundance of water-flow, April showed good results and the balance of supply and demand was maintained despite increased demand. In May, the rate of water-flow declined, and although output was kept at approximately the April level by increasing thermal-power generation, emergency restrictions had to be put into effect in the Chubu, Kansai and Kyushu areas. June continued to show a diminishing water-flow and both ordinary and emergency restrictions were laid down in various areas.

Electric Power Generation in 1951
(in million KWH)

	Hydro	Thermal	Total
Jan.	2,450(2,641)	1,090(341)	3,540(2,982)
Feb.	2,174(2,594)	940(215)	3,114(2,809)
Mar.	3,159(2,832)	572(293)	3,731(3,125)
Apr.	3,295(2,963)	424(174)	3,719(3,137)
May	3,266(2,961)	447(287)	3,713(3,248)
June	3,044(2,941)	518(253)	3,562(3,194)
July	3,314(2,821)	324(255)	3,638(3,077)
Aug.	2,612(2,709)	622(273)	3,235(2,982)
Sept.	2,349(2,638)	621(264)	2,970(2,903)
Oct.	2,394(2,848)	601(480)	2,995(3,328)
Nov.	2,802(2,841)	502(553)	3,303(3,394)

Note: Output of power companies only, including purchased electricity. Figures in brackets represent corresponding output for preceding year.

In July, the rate of water-flow increased once more to 113 and hydro-power generation managed to reach the May level but thermal-power generation suffered a great drop as a result of depleted coal stocks caused by extensive coal consumption during the preceding year and the difficulty of obtaining additional supplies. Consequently, total power generation was slightly under the 3.7 billion KWH level of April. In August, the rate of water-flow again started to decline, dropping to less than 80 for the Kansai area. In September, the water-flow still continued to drop and on the 5th reached a low of 72 per cent of the average for the preceding nine-year period. Finally, the Public Utilities Commission put into operation, beginning September 6, a one-week restriction on the use of electric power throughout all areas on Honshu. As the situation failed to show improvement, the restriction was extended to October.

Situation of Water-Flow (%)

	1950	1951
Jan.	130	103
Feb.	171	104
Mar.	129	132
Apr.	112	132
May	103	104
June	116	99
July	103	113
Aug.	116	94
Sept.	109	78
Oct.	103	79
Nov.	115	110
Dec.	122	111

Note: The average of the last nine years=100

The first ten days of October continued to show further declines in water-flow and on October 11 steps were taken to strengthen power restrictions. The new restrictions were laid down to meet the specific needs of different areas. Thus, for the Tohoku, Hokuriku, Kansai and Chugoku areas the authorized maximum for users of more than 500 KW (contracted capacity) was set at 50 per cent of the consumption for July with two no-power days a week and for users of less than 500 KW 80 per cent with two no-power days a week. In the Kanto, Chubu and Kyushu areas the authorised maximum for users of more than 500 KW was set at 60 per cent of July consumption with two no-power days a week for small industrial consumers. The middle of October saw some increase in water-flow, thanks to rainfall accompanying a typhoon. Favourable conditions continued through November and consequently on November 19 restrictions were eased. Public works were authorized a maximum equal to their July consumption, while users for all other purposes were permitted a ceiling of 90 per cent with one no-power day a week for factories.

It had been planned to initiate a winter power restriction program beginning December 1 as a fundamental measure toward meeting the emergency created by abnormally low water-flow. Negotiations with General Headquarters, however, brought about a delay and provisional restrictions were applied starting December 15 in accordance with a plan set up by the Public Utilities Commission. As special features embodied in this plan may be mentioned the designation of the monthly average for the April-July period as the basis for calculation, classification of industries into three categories and graduated restriction rates. In compliance with the plan, users of more than 500 KW were subjected to Grade A restriction (Classification A 100 per cent, Classification B 95 per cent and Classification C 90 per cent), users of less than 500 KW to Grade B restriction (Classification A 100 per cent, Classification B 90 per cent and Classification C 80 per cent) while provision was made for one no-power day a week.

Note: Classification of industries was made as follows:

Classification A—Public works, rice mills, flour mills, oil fields, chemical fertilizer, mining.

Classification B—Oil refineries, drugs and medicines, mints, textbook printing, bread for school lunches, ice manufacture and refrigeration, pitch bricks for use of national railways, coal powder bricks and midget coal powder bricks for major consumption areas, pyrite mining.

Classification C—Other industries.

Power generation for 1951 was thus greatly hampered by abnormally low water-flow but only in the month of October did the absolute output fall below the corresponding levels for the preceding year. Therefore, the unfavourable balance of supply and demand is to be attributed rather to the rapid increase in demand. The rate of increase in general production indices was in excess of the rate of increase in power output. Power consumption itself showed a 12-22 per cent increase over the preceding year. The fact that consumption for lighting has decreased while power consumption especially in the mining and industrial fields has shown a rising trend may be considered as an indication of the major role played by industrial activity in the expansion of demand. The slight but nevertheless sure decrease in the ratio of consumers using less than 500 KW may be interpreted as pointing to the increasing prominence of the activity of large capitals.

Electric Power Consumption in 1951

(in million KWH)

	Jan.-Mar.		Apr.-June		July-Sept.		Oct.	Nov.
Lighting and heating	1,668	13.0	1,403	18.7	1,308	18.0	475	520
	(1,486	24.8)	(1,238	18.3)	(1,196	18.4)		
Industrial use	5,590	76.9	6,533	81.3	5,949	82.0	1,699	1,855
	(4,505	75.2)	(5,515	81.6)	(5,307	81.6)		
Contracts less than 500 KW	1,493	20.5	1,502	18.9	1,623	22.4	503	512
	(1,285	21.5)	(1,311	19.4)	(1,420	21.8)		
Contracts more than 500 KW	4,097	56.4	5,030	63.4	4,326	56.6	1,196	1,342
	(3,220	53.8)	(4,191	62.1)	(3,884	59.1)		
Mining and manufacturing	3,347	46.1	4,235	53.3	3,605	49.7	961	1,099
	(2,576	43.0)	(3,457	51.2)	(3,256	50.1)		
Mining	631	8.7	645	8.1	647	8.9	206	206
	(488	8.2)	(581	8.6)	(593	9.1)		
Metals	689	9.5	942	71.9	788	10.9	184	215
	(491	8.2)	(676	10.0)	(635	9.8)		
Machinery	27	3.8	319	4.0	256	3.5	66	73
	(222	3.7)	(240	3.6)	(230	3.5)		
Chemicals	1,373	18.9	1,864	23.5	1,491	20.5	390	474
	(1,107	18.5)	(1,735	25.7)	(1,463	22.5)		
Textiles	236	3.2	284	3.6	256	3.5	68	86
	(164	2.7)	(186	2.8)	(194	3.0)		
Total	7,266	100	7,930	100	7,256	100	2,174	2,375
	(5,991	100)	(6,753	100)	(6,503	100)		

Note: Figures in brackets indicate corresponding periods of preceding year; bold show percentages.

Revision of Power Rates

Power rates in force at the time the newly established power companies began operations had been set up in December of 1949. Later developments, however, especially the rise in prices and wages following the outbreak of the Korean war, rendered it imperative that power rates be increased accordingly. There was also the necessity of conducting the long-postponed revaluation of assets and making proper allowance for depreciation. The power companies accordingly applied to the Public Utilities Commission between the end of May and the first part of June for approval of rate increases.

The application called for an average increase of 69 per cent but public reaction to this proposal was decisively negative and consequently, a new proposal was submitted for an average increase of 64 per cent.

The opposition from various quarters toward this concession was still very strong. Finally, after a month of extended deliberation, the Public Utilities Commission made public a revised plan providing for reduction of depreciation costs from Y25.2 billion to $10.9 billion, reduction of repair costs from Y21 billion to Y16.3 billion, reduction of cost per ton of coal from Y5,000 to Y4,500 and omission of the two-month bonus from personnel costs. The revised plan thus cut down Y130.6 billion of the original application to Y104.2 billion and determined an average increase of 30.1 per cent. Approval of General Headquarters was obtained on August 1 and the Public Utilities Commission Revised Plan went into effect on August 31.

This rate revision reflects extensive concessions to the public will by the Public Utilities Commission and the power companies on the two points of depreciation and repair. It is evident that these concessions will prove important factors in restricting the accumulation and maintenance of own capital. Moreover, the low water-flow during the April-September period has brought about an increase in the coal expense, and this in turn has made management of the power companies increasingly difficult.

Simultaneously with the revision of power rates, the Public Utilities Commission approved an agreement relating to the hydro-thermal power adjustment fund, which fund will take the place of the power rate pooled-account system and has as its objective the adjustment of regional differences. By fixing the price of one KW of hydro-power at Y3,500 per year, one KWH of thermal-power at from Y1.45 to Y1.80 and by providing for differential revaluation rates, it has been possible to keep down regional differences to a minimum of 15 per cent.

Development of Electric Power Resources

Post-war development of electric power resources had its first start in 1949 with the initiation of construction work on 33 projects with a goal of 590,000 KW. This project was financed by a 10 billion yen accommodation from the U.S. Aid Counterpart Fund. The following year, 1950, saw the postponement not only of the reorganization program but also of the release of the U.S. Aid Counterpart Fund, with the result that hardly any new projects were launched during this period, most of the activity being limited to continuation of old projects. Accommodations from the U.S. Aid Counterpart Fund for 1950 amounted to Y15 billion.

On the occasion of reorganization of the electric power industry, a five-year plan for the development of electric power resources was formulated in May under the general direction of the Public Utilities Commission. The plan, taking the actual power consumption for 1950 as a basis, assumed a yearly 10 per cent increase in demand from 1951 and computed on this supposition that the demand for 1955 would be 44.3 billion KWH. The plan then laid out its program for increasing supply capacity accordingly. The principal means of increasing power generation capacity have been given as (1) improvement and increased utilization of existing equipment, (2) reduction of power losses in transmission and (3) development of electric power resources. The goal for the development of power resources has been set at hydro-power 6 million KW and thermal-power 1.32 million KW, representing a total of 7.32 million KW. Of this total, it is anticipated that 4.23 million KW of hydro-power and 1.23 million KW of thermal-power or a total of 5.46 million KW will be made available by 1955. The greater emphasis is thus on hydro-power, for which two parallel programs have been adopted, an emergency program to mitigate the present unbalanced supply-demand

situation and a permanent program for the development of large-scale reservoir-type power generation. In thermal-power generation top priority will be given to the speedy increase of power output through expansion of facilities and equipment. The funds required by this plan total Y706.8 billion for five-year period from 1951, with total construction costs, including the period after 1956, totalling Y784.9 billion. The successful implementation of this plan requires that it be closely coordinated with the national financial policy. The plan thus has not yet taken on a concrete form.

The first phase of the plan was instituted in 1951 in a program embracing; unfinished projects hydro-power 17 with 340,000 KW, thermal-power 5 with 160,000 KW, new projects, hydro-power 29 with 690,000 KW, thermal-power 10 with 400,000 KW. The goal of this initial program was hydro-power 1.03 million KW and thermal-power 0.56 million KW (including both new and unfinished projects) or only approximately 50% of the first year goal set by the five-year plan of hydro-power 1.81 million KW and thermal-power 1.17 million KW. However, necessary funds for new projects alone totalled Y87.5 billion of which Y13.1 billion was accountable to 1951, which total added to the funds required for unfinished projects showed Y33.5 billion as the amount needed for 1951. To meet this need, application will be made for a Y25 billion accommodation from the U.S. Aid Counterpart Fund, while the remaining Y8.5 billion will be produced from non-governmental funds.

The permanent program for the development of electric power resources has as its objective the development of large-scale reservoir-type power generation. As a preparatory step, the Public Utilities Commission invited the OCI and commenced a survey of the Tadamigawa and Kumanogawa development sites, starting August.

As mentioned above, the development of power resources will require tremendous funds. Since power rate increases are rendered difficult by the public character of the charges, it is unthinkable under present circumstances that such huge amounts could be raised within the framework of the industry itself. The major part will have to be procured from public finance. The problem, therefore, is what should be the nature of the central agency. The government maintains that it should be a special public corporation having direct authority over development projects, while the Public Utilities Commission holds the position that direct government management of development projects would run counter to the spirit behind reorganization and that only the accommodation of government funds should be entrusted to a special financial organ, while development projects should be privately managed. No compromise has as yet been agreed upon.

Conclusion

It is clear beyond any doubt that the development of electric power resources is vital to a lasting equilibrium of supply and demand. It may be expected that the problem of a revision of power rates will again come to the fore. Furthermore, the differences existing between the government, on the one hand, and the Public Utilities Commission and power companies, on the other, on the issue of funds procurement still remain unsettled. The fundamental cause of these differences of views on power rates and development may be considered to be the fact that while the government desires a policy which will fit in nicely as one link in a general economic policy, the Public Utilities Commission is firmly set on the establishment of an electric power industry under private management. If the arguments were pushed to its logical extremes, it would probably end in pros and cons on the question of private management. However, even though we may admit that the establishment of private management was one of the primary aims in the reorganization program, we should not fail to recognize that in the light of past power policy and the public character of this industry, the tempo of such a transformation must necessarily be very gradual.

THE IRON AND STEEL INDUSTRY

General Survey

Government subsidies granted for iron and steel which had played a great role in the rehabilitation of the postwar iron and steel industry were gradually curtailed after the enforcement of the Dodge plan. The steel subsidy was completely abolished in July 1950, and the pig iron subsidy in April 1951, thus depriving the iron and steel industry of government protection. At the same time, controls on pig iron were suspended and the iron and steel industry was, in fact, completely decontrolled. The decontrol on the industry has strengthened the leadership of the through-process makers in view of the shortage of scrap iron.

The abolition of subsidies caused an advance of iron and steel prices which were affected by the high cost of raw materials from distant sources. The demand for iron and steel was at first inactive due to the stagnation of exports and monetary stringency and the shortage in electric power in the domestic market, which caused difficulties to small and medium producers as well as wholesale dealers. Under these circumstances, the Kawasaki Iron Manufacturing Co. lowered selling prices in August 1951 and through-process makers also reduced steel prices in October and December. With the development of rearmament in Western Europe, exports have recently increased but are limited to certain types of steel products. Prices have not shown such a marked advance as witnessed in the period immediately after the outbreak of the Korean war.

The expected activity of the iron and steel industry in 1951 due to U.S.-Japan economic cooperation has, thus, not been realized. Conditions in the latter half of the year were different from those prevailing during the same period of the previous year when the industry showed marked activity due to the outbreak of the Korean war.

Production

Iron and steel production showed a sharp increase from October 1950 due to the expansion of equipment in operation. This situation continued in 1951, blast furnaces in operation in March 1951 numbering 14 (annual capacity 2.49 million tons), open-hearth furnaces 106 (annual capacity 4.81 million tons) and electric furnaces 393 (annual capacity 2.45 million tons). Production of pig iron during the fiscal year 1950 (Apr. 1950-March 1951) totalled 2.43 million tons (116% of the target), that of steel ingot 5.3 million tons and that of ordinary steel 3.58 million tons (143%). The production target for the fiscal year 1951 has been fixed by the Economic Self-Support Investigation Council at 4 million tons of ordinary steel. Later, the Iron and Steel Bureau of the Ministry of International Trade and Industry made public a tentative plan of 4.5 million tons of ordinary steel in anticipation of an increase in demand through U.S.-Japan economic cooperation and the economic development plan for South-East Asia.

Production Capacity of Iron and Steel
(March 1951)

(in 1,000 metric tons)

	Nominal capacity		Workable capacity		No. of equipment	
	Total	In operation	Total	In operation	Total	In operation
Pig iron	6,240.5	2,917.3	7,033.6	3,291.9	240	147
Blast furnaces	5,558.3	2,487.8	6,351.6	2,845.5	37	14
Ferro-alloy	324.6	195.6	291.6	179.4	223	140
Steel ingot	12,628.7	7,614.5	13,672.8	8,218.5	895	503
Open-hearth furnaces	7,920.6	4,807.6	9,845.3	5,909.2	210	106
Electric furnaces	4,203.7	2,446.9	3,323.1	1,949.5	677	393
Rolled steel						
Semi-finished	7,337.3	6,507.7	6,215.7	5,410.2	38	31
Finished	12,809.5	9,678.1	11,343.6	8,655.6	438	344

Actual production of ordinary rolled steel continued to increase until June, that of steel ingot until July and that of pig iron until August. Production of pig iron in August was about twice the level of the period 1932-36 and almost at the same level of 1940, that of steel ingot was 80 per cent higher than the level of 1932-36 and exceeded the level of 1942, though it was still lower than the peak of 1943.

However, after the middle of 1951, iron and steel production decreased, production of pig iron, steel ingots, ordinary steel during the period from July to September being lower than the production target. The production of electric furnace products and ordinary rolled steel showed a decline compared with the previous quarter (April-June), whilst that of blast furnace pig iron and open-hearth furnace steel ingots registered a small advance. This production decrease was due to the unfavourable market situation of secondary products such as thin steel plate, wire rod, steel pipes, galvanized sheets, wire etc. which suffered from over-production, and a shortage of electric power. Owing to abnormally low water, electric power consumption had to be restricted from September which affected the production of electric furnace products. Output by the three large producers of ordinary rolled steel, Yawata Iron and Steel Co., Fuji Iron and Steel Co. and Nippon Steel Tube Co. continued favourable due to the utilization of self-generation equipment.

Imports of Iron and Steel and Raw Materials

(in 1,000 metric tons)

	Iron ore	Coal	Manganese ore	Scrap	Iron and steel
1949	1,536.7	1,306.3	33.9	—	—
1950	1,530.9	891.0	66.7	20.3	35.1
1951					
Jan.-Mar. ..	348.7	239.7	17.2	13.3	
Apr.-June ...	1,047.9	495.8	42.9	19.5	15.3
July-Sept. ...	1,050.7	512.7	14.0	24.7	
Oct.	264.6	148.8	2.1		

Market Situation

An iron and steel boom after the Korean war was brought about by the advance in prices due to active exports and special procurement demand. Special procurements during the period from July to December 1950 totalled 220,000 tons, and exports 470,000 tons (an increase of 82% compared with the first half of the year). The supply of thin steel plates, high-grade art metal, silicon steel plates, tin plate, etc. for the domestic market was severely curtailed, and market prices which were lower than the former official producers' prices when decontrolled, advanced, the former surpassing the latter from November 1950.

Production of Iron and Steel

(in 1,000 metric tons)

	Pig iron			Steel ingot			Hot rolled Steel*				
	Blast furnaces	Electric furnaces	Total (incl. others)	Open-hearth furnaces	Electric furnaces	Total (incl. others)	Ordinary	Special	Cast steel	Forged steel	Ferro-alloy
1949	114.2	10.3	129.1	208.6	50.7	259.3	164.0	6.6	9.3	5.2	4.5
1950	165.1	12.8	186.1	325.0	62.7	403.2	266.4	6.7	9.5	6.2	5.5
1951											
Jan.	191.1	11.9	212.4	396.6	75.7	486.7	363.2	9.4	11.1	6.5	4.6
Feb.	180.8	8.6	198.1	367.9	60.1	443.9	363.0	10.6	11.6	5.0	3.4
Mar.	216.0	12.7	239.2	411.3	87.9	546.9	415.9	12.4	13.3	9.4	5.8
Apr.	219.0	14.8	241.3	428.5	95.8	541.7	425.4	13.2	13.5	8.1	11.4
May	238.2	14.6	265.7	443.1	96.0	554.9	428.7	14.3	12.3	8.7	13.7
June	236.0	12.5	258.1	445.4	93.6	557.1	445.4	14.6	13.3	8.9	12.8
July	249.7	12.2	270.5	481.8	95.5	592.5	423.8	16.4	14.0	9.3	12.6
Aug.	267.7	8.9	286.4	472.0	88.1	575.4	399.3	15.6	14.0	9.6	7.1
Sept.	262.9	6.8	279.1	441.6	62.1	520.1	381.8	14.1	11.2	8.8	5.3
Oct.	275.1	6.3	290.7	—	—	543.2	362.6	14.1	10.4	7.5	6.1
Nov.	267.9	8.4	284.5	—	—	562.9	342.5	13.6	11.3	6.9	9.4

Note: *Monthly average for 1949 and 1950 covers rolled steel.

The raw material situation was an important problem at the beginning of 1951 due to the universal shortage which was aggravated by the advance of freight charges. The problem became more serious when imports of coal and iron ore from Communist China became difficult due to the export ban enforced at the end of 1950. Conditions, however, gradually improved, and the import target for the year 1951 is expected to be fulfilled.

However, the suspension of imports of cheap Chinese coal and iron ore and the necessity of importing coal and other raw materials from distant sources caused an advance in production costs and resultant higher prices for iron and steel products.

Import sources of iron ore during the first half of the fiscal year 1951 were the Philippines (27.9%), Malaya (27.7%), the United States (26.8%) and Goa (7.8%). Coal was mostly imported from the United States (69.3%), India (30%) and Canada (0.7%). The high dependency of raw material on imports from the dollar area is one of the reasons for the shortage of dollar funds, and the securing of dollar funds and the transfer of import sources from dollar to sterling and open account areas have become an important problem.

Special Procurements for Iron and Steel

(in 1,000 metric tons)

	Primary products	Secondary products	Semi-finished products	Total
1950				
July-Sept.	121.4	26.6	10.5	158.5
Oct.-Dec.	46.6	19.3	0.3	66.2
1951				
Jan.-Mar.	23.3	2.1	2.2	27.6
Apr.-June	82.3	9.7	0.6	92.9
July-Sept.	35.9	17.8	6.6	60.4

However, special procurements declined from October, the total during the period from January to March 1951 being only 17 per cent of that in July-September 1950. In the April-June period, special procurements showed some increase, but later continued inactive. As regards special procurements by category of goods during the period from the outbreak of the Korean war to September 1951, thin steel plate ranked first in primary products (24% of the total) followed by I-steel (12%), round bars (7%), and thick steel plate (6%). In secondary products, the leading items were drum can and barbed wire. With the development of worldwide rearmament, the demand for iron and steel from overseas markets such as China, the United

States, Australia, etc. showed a sudden expansion. Also, with the development of the Korean war, the demand from China and Hongkong showed a marked increase, exports of steel products to these territories in November 1950 reaching 30-40 per cent of the total. As a result of the participation of Communist China in the Korean war, an ordinance relating to the suspension of shipments of iron and steel products was promulgated in November 1950 which was later supplemented by an ordinance, in December of the same year, suspending shipment of commodities to China. By these ordinances, exports of iron and steel were greatly affected, but were replaced by an increased demand from Argentine, the United States, etc., though at rather disadvantageous prices.

Export Shipments of Iron and Steel
(in 1,000 metric tons)

	Primary products	Secondary products	Semi-finished products etc.	Total
1949	183.8	33.8	164.9	382.6
1950	396.2	111.7	217.9	725.7
1951				
Jan.-Mar.	157.2	35.2	15.3	207.7
Apr.-June	210.7	44.0	6.8	261.4
July-Sept.	157.6	24.6	8.4	190.6

Export contracts continued to decline from the beginning of 1951, when contracts totalling 190,000 tons were registered, to 40,000 tons in July, and exports declined correspondingly. Following rearmament in Western Europe, the United Kingdom and other sterling areas became active from the middle of August. Export contracts again increased, the total in October reaching almost the level of January 1951. Export contracts centered on thick steel plate, round bars, and wire rod. The annual volume on the basis of shipments during the first nine months of 1951 was larger by 20 per cent than actual exports of the previous year. By destinations, Argentine ranked first, followed by Australia, the United States and the Philippines. The increase in exports of iron and steel products to sterling areas has accentuated the accumulation of sterling funds which makes imperative to give priority to raw material imports from that same area.

Iron and Steel Wholesale Dealers' Association, the rate of collection of credit sales declined from 51 per cent in June to 39 per cent in September, whilst credit sales increased by Y4-5 billion during the period. The rate of payment of credit purchases was maintained at about 60 per cent. Under these circumstances, wholesale dealers, in particular small and medium dealers, were severely affected by financial difficulties.

Prices

Controls on steel products were completely abolished in July 1950 but prices were lower than the former official producers' prices due to inactive demand. Later, prices were successively raised due to special procurement demand and active export trade, prices in November surpassing the former official prices and those in March 1951 being higher by 27 per cent than the former official prices (round bars). As a result of the advance of steel prices, the pig iron subsidy was curtailed by 37 per cent in October 1950. In February 1951, pig iron official prices were raised due to the advance of raw material prices. The subsidy on pig iron was finally abolished in April 1951 and, at the same time, the price control on pig iron was suspended. The Fuji Iron and Steel Co., Yawata Iron and Steel Co., and Nippon Steel Tube Co. increased prices of pig iron to a level by about Y9,000 per ton higher than former official producers' prices and by more than Y5,000 if the former subsidy (Y3,700) is taken into consideration. This advance, a result of the increase in raw material cost, brought about a sharp advance in steel prices which at that time were already higher than the international level. The anticipation that the high price of steel would affect the export trade has not been verified and leading makers have been able to successively increase prices.

The export of plant is expected to increase in view of the postwar development of the Japanese heavy industries, and requirements from the industrialization of South and East Asiatic countries. So far, the export of plants has not been as favourable as expected, principally due to the high price of iron and steel. The reduction of iron and steel prices has thus become an important problem. The principal reason for the high level of iron and steel prices is the high cost of raw materials which depend on importation from distant sources. This fact indicates the difficulty in reducing iron and steel prices and the fragile present basis of the iron and steel industry, as well as the necessity of transferring import sources to South and East Asiatic areas. According to an estimate made by the Economic Stabilization Board and the Ministry of International Trade and Industry, if iron ore and coal which are at present imported from American continent could be imported from China and Manchuria, pig iron prices would be reduced by 12 per cent.

Export Shipments of Iron and Steel by Country
(in 1,000 metric tons)

	Formosa	China	Philippines	Hongkong	Thailand	U.S.A.	Argentine	Australia	Total (incl. others)
1950	39.4	107.1	37.0	39.2	55.0	150.6	175.2	96.4	797.8
Sept.-Dec.	16.4	62.1	15.5	24.1	15.1	58.8	28.6	30.9	274.8
1951 Jan.-Mar.	8.5	—	12.7	5.4	23.1	40.2	49.2	27.6	207.7
Apr.-June	6.6	—	33.0	10.7	4.7	27.1	83.0	36.5	261.4
July-Sept.	5.7	—	8.9	4.9	8.3	12.8	35.4	67.6	190.6

Note: Figures cover primary products, secondary products, semi-finished products and others.

The home demand in general did not follow the increase in production due to reduced requirements of government authorities, and the construction and machinery industry from May 1951, and because of monetary stringency. Sales declined from the peak in July in spite of an advance of prices, and stocks increased after May 1951. The inactivity of sales was further accentuated by a shortage of electric power, and from October, a tendency towards over-supply was witnessed in pig iron.

Delivery of Ordinary Rolled Steel by Industry
(Monthly average, in 1,000 metric tons)

	Govt. and public use	Railway	Construction	Electric power	Exports	Coal	Iron & steel	Other metal refining	Petroleum, gas & coke	Machinery	Shipbuilding	Chemicals	Total (incl. others)
1949	0.5	13.1	0.6	1.9	14.6	8.3	32.5	2.1	1.8	12.4	15.4	2.5	165.9
1950	1.3	17.0	9.9	1.9	20.5	4.7	61.1	5.8	4.0	25.4	27.5	3.9	249.7
1951													
Jan.-Mar.	2.2	17.3	19.8	1.9	35.3	4.9	80.3	34.4	3.7	36.4	34.3	5.5	339.7
Apr.-June	5.1	13.8	25.5	1.6	35.0	5.8	76.0	43.6	3.5	40.8	38.5	7.0	381.2
July-Aug.	4.9	18.6	19.6	1.4	35.4	6.7	72.6	38.5	3.0	36.6	49.7	4.8	351.5

Reflecting this market situation, the financial condition of makers and wholesale dealers showed marked difficulty from June 1951. According to a survey made by the Japan

Steel prices continued to advance in the first half of 1951, but this advance was checked. Market prices which were higher than makers' prices in April 1951 turned weak and went below makers' prices in July. The Kawasaki Iron and Steel Co. in August reduced prices of thin plate and ordinary art metal. The Fuji Iron and Steel Co. in October established special prices for wire rod, band steel and thin plate for export. The Yawata Iron and Steel Co. maintained prices of round bar base at $135 for December-January delivery but some reduction was made for medium size steel plate (a reduction of 5.9%), thin plate (1.6%), wire rod (8.6%), tin plate (20.5%), high-grade art metal (9.3%), high silicon steel plate (2.4%), low silicon steel plate (32%), etc. to be enforced from November-December delivery. Following this, the Nippon Steel Tube Co., Fuji Iron and Steel Co. and other leading makers reduced prices of specified products for December-January delivery. This reduction of steel prices by through-process makers will affect open-hearth makers, because prices of pig iron are still unchanged.

Business Conditions

Business results of iron and steel companies during the second half of 1950 (Dec. 1950-May 1951) showed a marked improvement due to activity after the outbreak of the Korean war. After then, the business situation became unfavourable in general. The business conditions of through-process makers were rather favourable but electric furnace, secondary products and other medium and small enterprises have been severely affected. Moreover, the reduction of prices of leading makers which was principally due to inactivity and not to a reduction of costs, will affect business conditions.

Business Results of Ordinary Steel Makers

	Capital employed: Net worth	Capital employed: Outside liabilities	Assets: Fixed assets	Assets: Current assets	Rate of net profit: To net worth	Rate of net profit: To capital employed	Rate of net profit: To sales	Rate of dividend
	%	%	%	%	%	%	%	%
1949 Second half	15	85	14	86	29.0	4.5	2.5	6
1950 First half	42	58	39	61	10.2	4.3	3.6	14
Second half	38	62	34	66	19.7	7.5	5.6	30
Through-process makers	40	60	38	62	15.2	6.1	5.2	30
Open-hearth furnace makers	38	62	26	74	31.1	11.7	6.9	29
Electric furnace makers	16	84	23	77	34.6	5.6	3.6	22
Rolling mills	28	72	23	77	38.3	10.7	5.2	33

Under these circumstances, the reduction of costs through rationalization is an urgent need. It is generally recognized that there still exists considerable scope for such rationalization. For instance, an estimate of the Iron and Steel Bureau of the Ministry of International Trade and Industry reveals that when the rationalization program with funds of Y50 billion (Y15 billion for pig iron, Y10 billion for steel, Y25 billion for the rolling branch) is realized (in 1953), prices of pig-iron, steel ingots, round bar and thin plate will be capable of reduction of Y3,000, Y4,000, Y8,000 and Y12,000 per ton respectively. The securing of funds is a prerequisite to rationalization, but considering the present monetary stringency, prospects cannot be said to be favourable. In reality, of the necessary amount of Y30 billion in the fiscal year 1951, only Y7,770 million (23.9%) was actually financed by the end of October. On the other hand, owing to the stagnant development of production as well as the delay in modernization and rationalization of equipment due to the shortage of funds, production per worker has recently declined, whilst the index of labour expenses per ton advanced during the June-September period of 1951. Moreover, the cost of scrap iron showed a marked advance from September.

Labour Efficiency

	Production per worker (metric tons)	Index of labour expenses per ton* A	Index of labour expenses per ton* B
1950			
Monthly average	3.19	124	43
Oct.-Dec.	3.79	112	30
1951			
Jan.-Mar.	3.86	118	23
Apr.-June	4.37	114	15
July-Sept.	4.20	130	17

Note: * December 1948 = 100

$$A = \frac{\text{Employment index} \times \text{wage index}}{\text{production index}}$$

$$B = \frac{\text{Employment index} \times \text{wage index}}{\text{Production index} \times \text{iron and steel wholesale price index}}$$

Outlook

The future development of the iron and steel industry will depend on the increase of exports. In view of the expected increase of demand following the materialization of U.S.-Japan economic cooperation and the industrialization of South and East Asiatic countries, various production programs for 1952-53 such as 5 million tons, 4.6 million tons and 4.2 million tons of ordinary rolled steel were drafted by the government authorities. In order to complete these programs, it will be necessary to secure imports of raw materials. In this respect, the transfer of import sources to South and East Asiatic countries will be an important problem. The transfer of import sources to South and East Asiatic countries through the exploitation of an iron ore mine in Goa (Portuguese India) etc. has partly been materialized, but considering the political instability in South Asia and development plans of the United States, United Kingdom etc., there will be a certain limit to the volume available for import. In view of various difficulties above mentioned, the future prospects of the Japanese iron and steel industry cannot be said to be bright.

THE SHIPBUILDING INDUSTRY IN JAPAN

The shipbuilding industry in Japan underwent marked development during World War I but was hard hit by the depression in the 1930's. During the worst years of the depression only 100,000 gross tons of ships were launched yearly. However, a "scrap-and-build" program was then carried out with the assistance of the Government in order to improve the quality of the Japanese merchant fleet. Under this program the shipbuilding industry gradually regained its activity. An average of 221,000 gross tons of ships were built yearly between 1931 and 1940. During the Pacific War the shipbuilding facilities in Japan were further expanded in order to meet increased demands for marine transport. This can be seen from the following comparison of index numbers:

Date	Factory Floor Space	Total Length of Building Berths	Number of Employees
April 1, 1941	100	100	100
April 1, 1945	178	126	185

The shipyards that gradually developed during the pre-war years were built in a haphazard manner and lacked efficiency. During the war the new shipyards that were then

built were carefully planned and constructed, taking into consideration the most modern shipbuilding methods and techniques. These were more efficient than those that had been built earlier. However, the new shipyards built during the war were only a few in number as most of the expansion of shipbuilding facilities during the war was at the old shipyards. The efficiency of Japanese shipbuilding facilities as a whole during the war was, therefore, relatively low. On the other hand, the Government established uniform standards for the construction of vessels. These standard wartime vessels consisted mainly of types A, B, C, D, E, and F freighters, and type TL, TM, and TS tankers.

Japanese shipbuilding techniques made little or no progress during the war. Electric welding techniques which made remarkable development in foreign countries during World War II made tardy progress in Japan. Block assembly methods using giant cranes were not widely used in Japan during the war, and Japanese shipbuilders resorted chiefly to riveting in constructing their ships. During the last stages of the war the quality of Japanese ships went down rapidly as materials and skilled labor became scarce. The total tonnage of ships constructed between January 1, 1941 and August 15, 1945 amounted to 3,630,000 gross tons. During 1944, Japan constructed 1,730,000 gross tons of ships. This was the highest record attained in the construction of ships in any one year in Japan.

According to the report made by the Strike Mission which came to Japan in 1947 to investigate reparations capability, Japan at the time of the surrender had 91 shipyards that could construct steel vessels of over 100 gross tons. The total shipbuilding capacity in Japan amounted to 802,000 gross tons per year. The yearly capacity for the docking and repairing of ships amounted to 7,246,000 gross tons.

After the war the construction of steel ships and wooden vessels of over 100 gross tons was placed under strict control of the Occupation Forces. Immediately after the war all Japanese shipbuilding activities were temporarily suspended. However, in order to rebuild our merchant fleet which had suffered heavy war damage, the resumption of construction of wartime standard vessels was authorized on September 15, 1945. This work was further implemented by the Government with the establishment of the Shipping Corporation in 1947.

In 1946 the Government drew up a plan to construct 28 small coastwise freighters in order to relieve the serious shortage of shipping tonnage. Construction of these 28 freighters was hampered by various difficulties, but they were completed by 1948. Using the materials held in stock by the shipbuilders, the construction of six 2,000 gross ton freighters was also completed in 1947 in order to relieve transportation difficulties affecting coal and other vital cargoes. As has been stated above, the Shipping Corporation was established in 1947. Through it Government funds were provided to assist shipowners. The construction of ships under the first four Shipbuilding Programs of the Shipping Corporation was as follows:

	1st Program	2nd Program				3rd Program				4th Program		
Type*	D	F	B	C	D	F	B	C	D	F	B	C	D
No. of ships constructed	8	15	3	5	10	10	2	7	5	10	3	4	6
Total tonnage	24,554G/T		55,886G/T				53,685G/T				43,006G/T		
Date authorized	Sept., 1947		June, 1948				Oct., 1948				Feb., 1949		

* The tonnage of the various types of ships is as follows:
Type B—4,600G/T Type C—2,700 to 3,700G/T
Type D—2,200G/T Type F— 600 to 700G/T

The Government has financed 50% of the contract price of the ships from the counterpart fund beginning with the 5th Shipbuilding Program. The construction of ships under the 5th, 6th, and 7th Shipbuilding Programs can be summarized as shown in Table 1.

Table 1. Number and Type of Ships Constructed or Under Construction*

	Tankers	Large Type Freighters	Medium Type Freighters	Total Tonnage	Date Authorized
5th Shipbuilding Program	6	31	6	278,190G/T	Dec., 1949
6th Shipbuilding Program	0	25	1	170,500G/T	Dec., 1950
Supplement to 6th Program	2	6	1	72,200G/T	March, 1951
First half of Seventh Program	2	24	2	203,400G/T	May, 1951
Second half of Seventh Program†	1	13	0	116,700G/T	Dec., 1951

* The tonnage of the various type vessels is as follows:
Tankers—12,000G/T
(Tankers constructed under the second half of the seventh program are 18,000G/T)
Large type freighters—7,000 to 9,000 G/T
Medium type freighters—5,000 G/T

† Three additional freighters and two additional tankers are expected to be authorized under the second half of the Seventh Program.

Prior to the establishment of the new exchange rate of Y360 to one U.S. dollar in April, 1949, Japanese shipbuilders had secured export contracts for ten large type freighters and three tankers. The construction of ocean-going vessels for domestic use was then prohibited. These contracts, therefore, had acted as a stimulant to the Japanese shipbuilders, whose technjques were becoming rusty from disuse. However, after the establishment of the new exchange rate, the prices of ships constructed in Japan became higher than those of other countries and there were practically no export contracts except for a few small type vessels. After the outbreak of the Korean war, however, the shipping industry became very active throughout the world. As the demand for tankers was then expected to increase in the future, some export contracts for tankers were made with Japanese shipbuilding companies despite their relatively high prices. Since the outbreak of the Korean war, contracts for eleven large type tankers amounting to a total of 162,000 gross tons have been concluded. Contract negotiations are now in progress for several more tankers. The contract prices of tankers now being negotiated is about $200 per dead-weight ton. This is about twenty percent higher than in other countries. However, delivery can be made within two years in most cases. This delivery is relatively fast compared with that of other countries.

Table 2 shows the construction of ships from August 15, 1945 to December 31, 1951.

Although the postwar recovery of the shipbuilding industry in Japan has been remarkable, ship construction during this period has been considerably less than the capacity of the industry. This has been because Japanese shipowners lost all of their accumulated capital during the war and since then have had to depend largely upon funds furnished under the Government shipbuilding programs to finance the construction of new ships. During the first five years after the war, many shipyards that had been in operation during the war were closed. The shipbuilding companies that were able to continue their operations were forced to discharge large numbers of their employees.

Table 2. Construction of vessels from August 15, 1945 to March 31, 1951

Fiscal† Year	Freighter No. Constructed	Freighter G/T	Tanker No. Constructed	Tanker G/T	Others No. Constructed	Others G/T	Export No. Constructed	Export G/T	Total No. Constructed	Total G/T	Fishing Vessel No. Constructed	Fishing Vessel G/T	Grand Total No. Constructed	Grand Total G/T
1945*	23	66,000	1	10,000	3	3,450	—	0	27	79,450	11	1,811	38	81,261
1946	29	68,150	4	6,150	14	8,150	—	0	47	82,450	352	47,741	399	130,191
1947	33	52,668	1	200	30	21,858	—	0	64	74,726	329	50,773	393	125,497
1948	71	104,145	2	11,100	66	43,161	2	840	141	159,246	85	14,529	226	173,775
1949	51	119,670	11	1,392	68	8,283	16	10,500	146	139,845	19	3,273	165	143,118
1950	33	180,990	23	75,004	92	10,130	23	98,240	171	364,364	24	3,951	175	368,315
1951**	36	225,130	5	24,755	44	8,712	89	15,416	174	274,013	15	20,735	189	294,748

† The fiscal year in Japan is from April 1st of the named year to March 31st of the succeeding year.

* From August 15, 1945 to March 31, 1946.

** From April 1, 1951 to December 31, 1951.

The total amount of funds allotted to shipbuilding under the Government shipbuilding programs has been relatively small. Since the number of ships which have actually been constructed has been small in comparison with the capacity of the shipyards, most shipyards have been forced to reduce their prices relative to actual costs in order to receive orders. They have suffered from periods of inactivity because construction of ships under the Government shipbuilding programs has been periodic with the shipyards often idle for several months until new orders are received. They have also suffered losses because of wage and material cost increases due to inflation, since the re-negotiation of contracts has not always been favorable to them.

In April, 1950, the Civil Merchant Marine Committee ceased its operations. This Government agency had chartered all Japanese ships since the beginning of the war. Its termination further reduced the profits of the shipyards because ship-repair contracts between it and the shipyards were replaced by contracts between the shipowners and the shipyards, which were considerably less profitable to the shipyards.

Only ocean-going vessels have been constructed under the Government shipbuilding programs since the beginning of the Fifth Shipbuilding Programs. This has made it impossible since then for the medium and small shipyards which do not have the capacity to build ocean-going vessels to receive orders.

As a result of these conditions, only the larger, more modern, and more efficient shipyards have been able to survive. The principal shipyards now in operation in Japan are the following:

Names of Shipyards	Annual Production Capacity of New Ships G/T
Hakodate Dock Company, Ltd.	8,000
Ishikawajima Heavy Industries Company, Ltd.	30,000
Nippon Steel Tube Company, Ltd.	46,000
East Japan Heavy Industries Ltd.	40,000
Nagoya Shipbuilding Company, Ltd.	15,000
Uraga Dock Company, Ltd.	28,000
Fujinagata Shipbuilding Company, Ltd.	15,000
Central Japan Heavy Industries, Ltd.	30,000
Kawasaki Dockyard Company, Ltd.	80,000
Harima Shipbuilding Works, Ltd.	50,000
Mitsui Shipbuilding Engineering Company, Ltd.	60,000
West Japan Heavy Industries, Ltd.	110,000
Hitachi Shipbuilding & Engineering Company, Ltd.	55,000

Note: Most of the shipyards in Japan have facilities for manufacturing marine engines.

The following shipyards have facilities for manufacturing diesel marine engines.

East Japan Heavy Industries, Ltd.
Central Japan Heavy Industries, Ltd.
Harima Shipbuilding Works Ltd.
Kawasaki Dockyard Company, Ltd.
Mitsui Shipbuilding Engineering Company, Ltd.
Hitachi Shipbuilding & Engineering Company, Ltd.

Diesel marine engines manufactured by the Tamashima Diesel Company, are also used by many shipbuilders in Japan.

A common problem for all Japanese shipbuilders is how to acquire more advanced electric welding techniques equal to those of other countries. In order to solve this problem, Japanese shipbuilders are enlarging their welding workshops, installing large cranes, and importing automatic welding machines with the assistance of the Government. Furthermore, the productive capacity for diesel engines which had been smaller than that for hulls has been enlarged. In this manner Japanese shipbuilding techniques are approaching the international level. However, steel supplied by the steel industry has been of lower quality and of higher price than that of other countries. This had been the main obstacle to the prosperity of the shipbuilding industry in the postwar years.

At present the prices of freighters and tankers built in Japan are thirty and twenty percent higher, respectively, than the international level. This is chiefly due to the high prices of Japanese steel. The average price of ships built in Japan is Y163,000 per gross ton. Therefore, no matter how and to what extent the Japanese shipbuilders may rationalize their industry, they cannot compete in price with shipbuilders of other countries. The one strong point in the shipbuilding industry at present is that the delivery can be made faster than in other countries.

The high prices of vessels built in Japan not only hamper the export of vessels from Japan but also lower the profits of Japanese shipowners. The solution of these problems requires a strong government policy; it cannot be attained by the shipbuilders alone.

Recently, the quality of Japanese steel has improved considerably and the modernization of shipbuilding facilities has been carried out to a certain extent. Shipbuilders are now ready to receive any domestic or foreign orders.

At present most of the shipyards are busy under the Government shipbuilding programs and expect to be able to continue their operations for another year or so. However, with the discontinuance of United States aid to Japan in the near future the Government will be unable to finance its shipbuilding programs from the diminishing counterpart fund. Therefore, if the shipbuilders are to continue to receive orders under the Government shipbuilding programs, new provisions must be made to supply the funds which are now being provided from the counterpart fund.

Finally, the present technical level of the Japanese shipbuilding industry is evidenced by the fact that vessels of the following types are among those now under construction in Japan.

Type of Vessel	G/T	D/W	Engine	Horsepower	Economical Speed
Tanker	18,200	28,000	Turbine ...	14,000	16 Knots
,, ...	17,650	26,650	,, ...	12,500	17
Freighter	6,700	9,800	Diesel ...	11,070	17.5
,, ...	7,600	10,150	,, ...	8,500	16
,, ...	9,000	11,800	Turbine ...	10,000	17
,, ...	7,300	10,160	Diesel ...	5,700	14.5

THE JAPANESE PULP INDUSTRY

By T. Kubota (Tokyo)

1. FOUNDATION OF PRODUCTION

Changes in Production Capacity and its Rehabilitation

The development of Japanese pulp industry depended on the paper industry, and further accelerated by the rapid progress of the chemical fibre industry. The production of pulp, including one from Saghalien and Korea, could not meet the increasing demand of both industries and supply of rayon pulp and paper pulp had to depend on import to a considerable extent. The ratio of import to total supply in 1937, when import of pulp recorded the highest figure, reached 34.4 per cent, in which rayon pulp (hereinafter referred to as R.P.) registered 83.5 per cent and paper pulp 17.5 per cent. The import of pulp became extremely difficult since 1937 due to the short supply in international markets. The domestic production was promoted a great deal and reached about 2 million long tons per annum in 1941, the highest figure ever recorded.

As regards production capacity by kinds of products, R.P. accounted for 23.2 per cent of total production capacity and paper pulp 76.7 per cent, in which sulphite pulp (hereinafter referred to as S.P.) accounted for 25.5 per cent, kraft pulp (hereinafter referred to as K.P.) 6.3 per cent, soda pulp (hereinafter referred to as A.P.) 7.2 per cent and ground wood pulp (hereinafter referred to as G.P.) 37.8 per cent. R.P. and S.P. were produced by big enterprises of pulp manufacturing specialist companies and by-produce by paper and chemical fibre companies, whilst K.P., A.P. and G.P., especially G.P., by medium and small enterprises.

In the matter of districts, production in Japan Proper accounted for 64.3 per cent and that in external territories 35.7 per cent, but as regards chemical pulp, except in the case of G.P., the ratio of production in external territories to total reached 50.9 per cent (that of R.P. 34.2%, S.P. 62.2%, K.P. 69.8%, A.P. 47.4%), that of G.P. 10 8 per cent. Of the total production capacity of D.P. in external territories 71.2 per cent depended on Saghalien, the rest on Korea, and in the case of S.P. 84.0 per cent on Saghalien, 9.1 per cent on Formosa and the rest on Korea. K.P. and G.P. were entirely produced in Saghalien and A.P. in Formosa.

Considering the above situation in prewar days, it is needless to say that production capacity of the industry decreased by half due to the loss of external territories. Moreover, industrial readjustment during wartime further accelerated the decrease in production capacity. The total production capacity as at the end of 1946 was only 870,000 long tons or 45.6 per cent of 1941 including G.P. (470,000 long tons, 63.8 per cent). The production capacity, in so far as chemical pulp was concerned, decreased to 405,000 long tons or 33.6 per cent (R.P. 44.4%, S.P. 26.4%, K.P. 45%, A.P. 14.6%).

Paper and chemical fibre industries, two main consumers of pulp, also sustained severe war damages with the result that demand-supply of pulp showed a temporary balanced situation on the reduced scale immediately after the termination of hostilities. However, with the progress of the rehabilitation of paper and chemical fibre industries, production increase had to be realized through import of pulp to cover the short supply of domestic production since 1947 in the case of the paper industry and since 1948 in the case of the chemical fibre industry.

Thus, the pulp industry in Japan was in a markedly advantageous situation due to the decrease in production scale, which constituted, as such, a definite loss from the viewpoint of our national economy. Enlargement and improvement of the production equipment were gradually carried out with some time lag owing to the price control, in response to the rehabilitation of the paper and chemical fibre industries. Annual production capacity recovered to 950,000 long tons (49.1 per cent compared with that in 1941) in 1949 and 1,020,000 long tons (53.2%) in 1950. Naturally, production of K.P. and G.P., which is not affected by the shortage of chemicals, etc. was comparatively more active and recovery in production took more time in the case of high grade pulp. The ratio of increase in production capacity in comparison with that in 1946 was 2.5 fold in A.P., 55.6 per cent in K.P., 10.3 per cent in R.P. and 5.9 per cent in S.P., 9.4 per cent in G.P. which sustained little war damage. This tendency was accentuated by the fact that (1) the official prices were fixed more advantageously for low grade pulp than for high grade ones, (2) many medium and small enterprises which were mainly engaged in production of low grade pulp could obtain larger profit through transactions outside control, but, above all, was attributable to (3) the shortage of high quality raw wood and the out-of-date and superannuated equipment.

The loss of external territories had brought about the reduction of production capacity as well as the shortage of raw wood. Of the total consumption of 15,870,000 koku in 1941, when consumption of raw wood for pulp reached the peak, supply from Japan Proper accounted for approximately 43 per cent (mainland: 27.8 per cent, Hokkaido: 15.8 per cent), from Saghalien 51.8 per cent, the rest being supplied from Korea and Canada. The ratio of raw wood supplied from Japan Proper to total consumption was still lower in previous years; in 1937, for example, it was only 22.2 per cent. This will show the extent to which the shortage of raw wood was brought about through the loss of external territories.

Volume in koku of forests in our country was estimated at 9.1 billion koku in prewar days, which decreased to 6.0 billion koku or 66 per cent at the end of 1949 as a result of the loss of external territories and reckless deforestation during and after the war period to meet war supplies and demands for reconstruction. Of that amount, available accumulation was estimated at 3.3 billion koku excluding interior forests of 1.6 billion koku and reserve forests of 1.1 billion koku. Thus, accumulation of timber, excluding woods for charcoal and firewood for 1.2 billion koku, was estimated at 2.1 billion koku (broad-leaved tree 0.5 billion koku, needle-leaved tree 1.6 billion koku). On the other hand, annual rate of growth of available forests was estimated at 117 million koku, whilst demand amounted to 200 million koku in the 1949 fiscal year, and 220 million koku (114 million koku of timber and the rest for charcoal and firewood) in the fiscal year 1950, almost twice the growing amount. Such reckless deforestation, it is estimated, would result in exhaustion of stocks including interior forests within 30 years.

Consumption of timber for pulp in the postwar period continued to increase both in amount and in the ratio to the total consumption of timber, amounting to 3,180,000 koku (4.5 per cent of total consumption of timber) in the fiscal year

Production Capacity by Kinds of Pulp

(in long tons)

	1941 (A)	in which that in external territories (a)	a/A %	1946 (B)	1949 (C)	C/A %	1950 (D)	D/A %	D/B %
R.P.	452,032	154,896	34.2	201,000	213,000	47.1	221,800	49.1	10.3
S.P.	495,600	308,560	62.2	130,600	123,120	24.8	138,300	27.9	5.9
K.P.	121,856	85,120	69.8	54,800	72,840	59.7	85,260	70.0	55.6
A.P.	137,088	65,072	47.4	18,750	60,504	44.1	65,208	47.6	247.9
Total chemical pulp	1,206,576	613,648	50.9	405,150	469,464	38.9	510,568	42.4	26.1
G.P.	734,160	79,968	10.8	469,000	484,800	66.0	512,604	69.7	9.4
Grand total	1,940,736	693,616	35.7	874,150	954,264	49.1	1,023,252	53.2	17.1

Note: Annual production capacity as at the end of the year, except in the case of 1950 which are estimated figures.

1946, 4,230,000 koku (5.5%) in the fiscal year 1947, 7,260,000 koku (10.4%) in the fiscal year 1948, 7,900,000 koku (13.7%) in the fiscal year 1949 and 10,320,000 koku (13.3%, provisional) in the fiscal year 1950, exceeding the average ratio in prewar days since the fiscal year 1948. Consumption in the fiscal year 1950 was almost equal to the level in 1938, though the ratio to total consumption slightly decreased due to the increase in consumption of timber in general following the abolition of price control on raw wood in January 1950. In the fiscal year 1951, consumption for pulp is expected to amount to 13 million koku, and further to increase in the near future to 15 million koku with the enlargement of production equipment of pulp, almost equal to the highest level recorded in prewar days.

The fact that production of pulp amounted to less than 60 per cent of that in 1941 while consumption of raw wood amounted to more than 60 per cent. indicates change in kinds of raw wood, superannuated equipment, out-of-date technology, low operation rate and resultant insufficient decrease in unit consumption of raw materials. Silver fir, white fir, larch, etc. were substituted by red pine, black pine, Japanese cedar, Japanese cypress, beech, etc., as a result of the loss of external territories. Consumption of silver fir, white fir, larch, etc., which accounted for 60-70 per cent of total consumption of raw wood pulp in prewar days, decreased to 38 per cent in the fiscal year 1947, 42 per cent in the fiscal year 1949 and 34 per cent in the fiscal year 1950. Moreover, needle-leaved tree required for pulp manufacturing is also required for timber, pit-wood, etc.

Import of raw wood as a measure to cover short supply seems difficult in view of the strong international markets and our position in dollar funds, and especially in the case of the paper industry, with little export business, the prospect is still worse than in the case of rayon pulp. Therefore, measures should be directed to (1) development of interior forests, (2) forestation, (3) utilization of broad-leaved tree (some enterprises have already succeeded in production of R. P. from beech tree), (4) development of resources for pulp other than wood (for instance, bamboo, straw, etc.), as well as (5) rationalizing consumption of wood in general, (6) improving K.P. and G.P. to higher grade pulp.

A council concerning measures for forestry resources was established in January 1951, and will take the initiative of these countermeasures. However, the shortage of raw wood is not expected to be removed in the near future.

publishing boom which lasted two or three years immediately after the termination of hostilities. Production of chemical pulp remained at the level of 13.6 per cent in 1947 and 21.3 per cent in 1948 compared with 1941, whilst that of G.P. recovered to the level of 39.2 per cent in 1947 and 54.5 per cent in 1948, the relative importance of the latter to total production increasing to the 60 per cent level as against the 40 per cent level in prewar days.

Although the relative importance of production of G.P. to total production increased, the rate of production increase in the postwar period was more speedy in chemical pulp especially in R.P. and K.P. than G.P., the rate of production in 1948 to that in 1946 being 2.3 fold in chemical pulp (among which, R.P. 3 fold, S.P. 2 fold, K.P. 3.3 fold, A.P. and others 2.2 fold) as against 1.8 fold in G.P. Authorization of production of bleached S.P., importation of R.P. and other appropriate measures were successively realized in 1948, and production of chemicals, fuel and power and other correlated industries also gradually recovered.

With decrease in effective demands in domestic market due to the enforcement of the balanced budget under the economic stabilization policy and the worldwide recessional tendency, competition in industrial circles was intensified and improvement in quality rather than in quantity was naturally required for the paper and chemical fibre industries.

Production of G.P. was carried out by 158 companies in 1949, in which 3 companies succeeding the former Oji Paper Mfg. Co., Ltd. and Hokuetsu Paper Mills Co., Ltd. produced 50 per cent of total output, other companies accounting for 95 per cent in number were medium and small enterprises except 4 companies other than the said 4 companies. Factories numbered 60 in 1947, increasing to 180 in 1949, whilst production increased by only 70 per cent.

On the contrary, production of R.P. by 6 big companies including Kokusaku Pulp Industry Co., Ltd., Tohoku Pulp Co., Ltd., Sanyo Pulp Co., Ltd., Kokoku Rayon Pulp Co., Ltd. and production of S.P. by 7 big companies including 3 companies (the former Oji Paper Mfg. Co., Ltd.) and that of K.P. by 8 big ones including Kokusaku Pulp Industry Co., Ltd. were carried out on a large scale, output in 1949 increasing by 4.1 fold, 2.8 fold and 5.7 fold respectively compared with 1946. Production increase was most pronounced in R.P. and K.P., whilst that of S.P. was relatively inactive.

Actual Production of Pulp

(in long tons)

		Chemical pulp										
		R.P.	%	S.P.	%	K.P.	%	A.P. incl. others	%	G.P.	%	Total
1937		57,294	6	397,479	45	63,481	7	—	—	368,724	42	886,978
1941		291,481	23	372,870	30	75,470	6	104,457	8	412,859	33	1,257,137
1946		11,045	4	61,137	30	5,773	5	903	0	123,660	61	202,518
1947		25,296	9	76,102	27	12,230	4	1,493	1	163,967	59	279,088
1948		32,836	8	125,151	31	19,306	5	2,474	1	221,760	55	401,527
1949		44,850	8	168,988	32	29,391	6	7,321	1	281,842	53	532,392
1950		99,784	13	205,005	28	57,447	8	27,994	4	343,264	47	733,494
1949	Jan-June	19,355	8	79,268	32	11,795	5	2,610	1	134,239	54	247,266
	July-Dec	25,495	9	89,720	32	17,596	6	4,711	2	147,603	51	285,126
1950	Jan-June	38,671	11	101,611	30	24,331	7	8,187	2	163,483	48	338,270
	July-Dec	61,113	15	103,394	26	33,116	8	19,807	5	179,781	54	395,224
1951	Jan-June	99,496	16	124,985	24	43,052	8	36,756	7	227,490	45	511,779

Note: Percentage indicates the ratio to the total.
Based on the data of the Pulp Industry Association.

II. DEMAND-SUPPLY SITUATION AND PRICE PROBLEM

Demand, supply situation

Though demands for pulp remarkably increased due to the postwar rehabilitation of the paper and chemical fibre industries, production remained stagnant until around 1948 as a result of the shortage of raw wood as well as of chemicals, fuel and power. In the meantime, production of G.P. which comparatively less depended on external territories and on large capital, progressed rapidly as by-production of small and medium paper manufacturing enterprises and in response to demand for low grade paper outside control during the

Demands for pulp by the chemical fibre and paper industries were further strongly directed to high grade ones after 1950. In the fiscal year 1950, 132,000 long tons of R.P. and 310,000 long tons of S.P. were estimated to be required, whilst production was estimated at 85,000 long tons and 225,000 long tons respectively. Being more profitable and advantageous in transactions and released from distribution control as from January 1950, and dependent on one and the same enterprise in most cases, the weight of production was shifted from S.P. to R.P. As regards S.P., 20 per cent of scheduled amount for sale was under distribution control by the Ministry of International Trade and Industry, and 80 per cent was left outside control.

Production in 1950 increased by 21.5 per cent in S.P. and 220 percent in R.P. compared with that in 1949, reflecting the active export of chemical fibre after the outbreak of the Korean war and difficulties in import of R.P. under the world-wide stringent demand-supply situation, the ratio of import to total supply of R.P. declining to less than 30 per cent in that year as against more than 40-50 per cent in 1948 and in 1949. On the contrary, import of S.P. and K.P. increased to cover the short supply brought about by the active production of R.P., the ratio of import of S.P. and K.P. to total supply increasing to about 5 per cent. Production of K.P. and A.P. increased by more than 1.9 fold and 3.9 fold respectively. Production of G.P. also showed an activity again during the latter half of 1950 due to enlargement of pages of newspapers, active export of low grade paper after the Korean war. Thus, production of pulp after the outbreak of the Korean war to a certain extent tended to meet quantitative increase in demands rather than qualitative improvement; however, the relative importance of production of G.P. to total production tended to decrease gradually, whilst that of chemical pulp actually increased.

Stocks of Pulp

At the end of		R.P.	%	S.P.	%	K.P.	%	Total incl. others	%
1949	June	3,137	48.9	3,396	30.4	203	8.0	8,480	18.6
	Sept.	3,000	67.0	3,539	23.5	295	9.9	9,089	19.5
	Dec.	1,632	31.4	3,035	19.8	486	14.1	7,166	14.1
1950	Mar.	1,006	16.7	2,260	14.1	306	7.8	5,109	9.7
	June	1,017	14.5	2,282	12.0	1,054	21.7	6,527	10.4
	Sept.	1,485	12.8	3,127	17.0	621	10.9	7,150	10.3
	Dec.	1,461	11.8	1,858	10.9	433	6.4	5,376	7.5
1951	Mar.	798	5.4	3,703	17.7	433	5.9	7,451	8.7
	June	2,392	13.9	2,902	14.5	732	10.2	9,817	10.2

Note: Percentage indicates the ratio of stocks to monthly average of production during 3 months indicated. Total include R.P., S.P., K.P., A.P. and G.P. Based on data of the MITI.

Price problem

As a result of the insufficient supply of pulp which did not cease in the postwar period, and since it became difficult to depend so preponderately on imports as in prewar days due to the continuing stringent demand-supply situation in Scandinavia, Canada and the United States, controls on pulp remained unremoved until the latter half of 1949 when controls were successively abolished in other industrial branches. Only the controls on pulp for chemical fibre and paper for export were abolished with the establishment of the Y360 exchange rate, and price control on pulp for domestic purposes remained until the early part of 1951. At the time of the establishment of the second official price system in July 1948 the rate of official prices of pulp in comparison with that in the basic period (average 1934-36) were fixed in favour of low grade ones than high grade ones: the rate of advance of producers'

Import of Pulp

(in long tons)

		R.P. incl. linter pulp	%	P.P.	%	Total	%
1937		290,523	83.5	176,085	17.5	466,603	34.4
1947		—	—	9,860	3.7	9,860	3.4
1948		21,931	40.0	500	0.1	22,431	5.3
1949		59,398	56.9	21,505	4.1	80,903	13.2
1950		42,702	29.9	31,174	4.6	73,876	9.1
1949	Jan.-June	29,601	60.5	15,404	6.3	45,005	15.4
	July-Dec.	29,797	53.8	6,100	2.3	35,897	11.2
1950	Jan.-June	17,895	31.6	9,876	3.2	27,771	7.6
	July-Dec.	24,807	28.9	21,298	6.0	46,105	10.4

Note: Postwar import of P.P. comprises that of S.P. and K.P.
Percentage indicates the ratio of import to the total supply (produced and imported). Based on the statistics compiled by the Customs Bureau, the Ministry of Finance.

Demands for pulp for the chemical fibre, paper and other industries during the 1951 fiscal year is estimated at 210,000 long tons of R.P. and 807,000 long tons of S.P. and other kinds, whilst production schedule was fixed at 125,000 long tons of the former and 807,000 long tons of the latter (including 305,000 long tons of S.P., 84,000 long tons of K.P., 50,000 long tons of A.P. and other kinds, 360,000 long tons of G.P. and 8,000 long tons of R.P. for paper manufacturing). It will be seen that the demand-supply is well-balanced, as far as paper pulp is concerned, but R.P. shows an alarming shortage of 85,000 long tons. Output during the April-June period of the 1951 fiscal year totalled 274,000 long tons (R.P. 43 000 long tons, S.P. 63,000 long tons, K.P. 23,000 long tons, A.P. and others 21,000 long tons and G.P. 124,000 long tons), annual rate of which exceeded the production targets by 17 per cent (an increase of 37 per cent in R.P., 7 per cent in K.P., 68 per cent in A.P. and others, except a decrease of 17 per cent in S.P. compared with the production target). Considering the expected production increase after the enlargement of equipment, the demand-supply situation is anticipated to be considerably better, though a shortage of about 23,000 long tons of R.P. being still forecasted. However, production of S.P. may not be increased, as anticipated if the circumstances would be changed and the weight of production be shifted to R.P. because of its higher profit; also available S.P. may be reduced if S.P. producers start paper manufacture themselves. The situation seems to be normalized gradually since price and distribution control were abolished in May 1951. Short supply of electric power is feared to check production increase of pulp, as well as the shortage of raw wood. Production of G.P. has already been hampered by the power shortage and consequently checked export of low grade printing paper.

per pound being: R.P. B class—139 (Y16.4), bleached S.P.—138 (Y13.25), unbleached S.P.—155 (Y12), K.P.—193 (Y14.7), A.P.—162 (Y1), G.P.—107 (Y6). In the case of R.P., however, decontrol on pulp for export goods placed outside control about 40 per cent of output of R.P. and price advanced by 30-40 per cent compared with the official price for domestic purposes. Production of S.P. since 1949 became inactive as compared with that of R.P. as the demand-supply was hampered by the distribution control.

Price Movement of Pulp

(in yen per pound)

		R.P.		P.P.		G.P.	
1946	Dec.	1.37	6%	1.18	7%	0.58	7%
1947	Dec.	8.23	38	5.86	37	2.93	36
1948	Dec.	17.06	79	12.48	79	6.24	77
1949	Dec.	17.06	79	12.48	79	6.24	77
1950	Mar.	21.73	100	15.91	100	8.16	100
	June	21.73	100	15.91	100	8.16	100
	Sept.	21.73	100	15.91	100	8.16	100
	Dec.	24.07	110	19.38	122	8.94	110
1951	Mar.	24.07	110	19.38	122	8.98	110
	June	54.00	248	36.00	226	15,000	184

Note: R.P.—standard, P.P.—unbleached, S.P., G.P.—bleached.
Based on the standard price of the Tokyo wholesale price index compiled by the Bank of Japan.

Control on pulp still remained unremoved though the official price was raised twice in considerably advantageous terms while price control on chemical fibre and paper as well

as raw wood, coal, chlorine, bleaching powder and other raw materials was totally or partially abolished from the middle of 1949 to that of 1950.

Besides, price of import pulp continued strong already before the outbreak of the Korean war due to the shortage of raw wood and labour force in Scandinavian countries and increasing demands by the chemical fibre and paper industries in the whole world. The price further advanced after the outbreak of the Korean war, CIF price per long ton advancing to Y79,200 in R.P. and Y61,200 in S.P., 70 per cent and 55 per cent higher respectively than the domestic price (Y46,100 and Y39,600 respectively). The domestic price of R.P. was about 8 per cent higher than that of S.P., as against 30 per cent in international price. Thereafter, the domestic price especially that of R.P. advanced after the total abolition of price control in March 1951, the difference between international and domestic prices was consequently narrowed. The domestic price of R.P. per long ton in the middle of May was Y114,400—Y119,900 as against CIF Y104,400 (Sweden), Y131,-400 (Finland), Y100,800 (Canada) and Y122,400 (the United States). That of S.P. was Y95,100—Y99,300 as against Y106,500 (the United States) and average Y117,300 (Scandinavian countries). Thus, the chemical fibre and paper enterprises has become able to depend on imported pulp without marked disadvantage in production costs as long as conditions of foreign exchange settlement permitted.

These price movements are the centre of attention of pulp enterprises. Efforts towards rationalization which are apt to be overlooked during prosperity should never be neglected, considering the anticipated price advance of raw wood, chemicals, fuel and power, to say nothing of the international price movement.

THE JAPANESE SEWING MACHINE INDUSTRY

The post-war Japanese sewing machine industry has made remarkable progress in increasing its production, improving its quality, and expanding its exports.

(1) Increase in production

The destruction of sewing machines which had occurred during war disasters,[1] the popularization after the war of dress-making and the wearing of western style clothing, and the difficulty of obtaining foreign-made sewing machines caused a rapid increase in the demand for home-made sewing machines after the war. This enormous domestic demand for sewing machines immediately after the war was the basic factor in the rapid development of our sewing machine industry in the post-war years. With the great demand for sewing machines, large numbers of manufacturers from other industries switched to the making of sewing machines and, in 1947, sewing machine production more than doubled that of 1940, the highest pre-war year.

The production of sewing machines in Japan from 1930 to 1950 was as follows:

1930— 5,000	1941—166,541
1931— 5,500	1942—122,131
1932— 6,500	1943— 30,670
1933— 7,600	1944— 21,493
1934— 9,200	1945— 4,425
1935— 18,501	1946— 44,962
1936— 48,204	1947—507,137
1937— 76,586	1948—688,369
1938—124,464	1949—603,141
1939—164,442	1950—769,548
1940—207,201	

Not only did the homemade sewing machines take over the domestic market that was formerly controlled by foreign-made sewing machines, especially the Singer, but they also advanced into overseas markets.

(2) Improved quality

The quality of our sewing machines gradually improved after the war with the establishment of sewing machine standards, better material, well organized production facilities and inspection methods, and technical research on the part of the manufacturers. This improvement has been confirmed by the "Performance Test of Homemade Sewing Machines" conducted three times since the end of the war by the Ministry of International Trade and Industry. The bad reputation regarding quality of Japanese-made sewing machines is now being wiped out.

The Ministry of International Trade and Industry in cooperation with a technical committee of the Sewing Machine Engineering Association drew up a standard design for a household sewing machine in 1948. This standard design has been very effective in improving the quality and standardizing the parts of Japanese sewing machine manufacturers. In July, 1950, the standards for the HA1 type household sewing machine and its six parts were established. In the near future, standards for sewing machine needles are also expected to be established.

Sewing machine production facilities in Japan were in a devastated condition at the end of the war. However, as the result of the efforts of the manufacturers, these facilities are now being modernized with specialized machine tools, static coating equipment, and ultra-red ray dryers. The process of assembly is also being modernized. With this modern equipment and facilities it is expected that the Japanese sewing machine industry will continue to improve its product and cut down its costs.

(3) Exports

Exports of sewing machines have made remarkable strides since the reopening of private export and import trade with our country in September, 1947. Japan exported a monthly average of 2,800 sewing machines in 1948, 7,200 in 1949, 35,000 in 1950, and 50,000 in 1951. The export of 427,935 sewing machines in 1950, amounting to $9,500,000 in value, was more than half of the total production (770,000 sewing machines) of that year. This was thirteen percent of the total value of the exports of machinery from Japan in 1950. The sewing machine industry thus became an important export industry.

The number of sewing machines exported from Japan each year between 1935 and 1950 was as follows:

1935— 0	1943— 3,698
1936— 3,720	1944— 697
1937— 9,240	1945— 0
1938— 6,069	1946— 600
1939— 10,810	1947— 2,010
1940— 10,201	1948— 33,533
1941— 8,402	1949— 86,912
1942— 5,232	1950—427,935

Japanese sewing machines are exported chiefly to the United States. Other export markets are scattered all over the world except in Europe. The percentage of sewing machines exported to various markets in 1950 was as follows:

(1) It is estimated that about 1,100,000 sewing machines were lost during the war. This is about 65% of the 1,700,000 sewing machines that were in Japan before the war. The sewing machine industry, as a whole, has made rapid progress since the end of the war. However, manufacturers with inferior techniques and management methods are dropping out of the race. For instance, it was estimated that there were about 1,000 sewing machine factories in 1947 and 1948, but there are less than 600 sewing machine factories in Japan at present. On the other hand manufacturers have been recently producing sewing machines which excel in both quality and performance. The rise in production of sewing machines has been remarkable. Their monthly production in 1951 was close to 100,000. It is estimated that the yearly production had reached more than 1,000,000 at the end of 1951.

United States of America	64.5%
South America	9.0
South-East Asia	7.8
Far East	7.5
Central America	4.6
Near East	2.1
Africa	1.7
Others	2.8
Total	100.0%

During 1951, exports of Japanese sewing machines to South America, particularly to Brazil, increased to almost the same amount as that of those exported to the United States. Such a great increase in the sewing machine exports to South America is believed to indicate that Japanese sewing machines are gaining a reputation for their quality, types, and relatively low price.

DEMAND FOR JAPANESE MACHINE TOOLS

Until recently the postwar exports of machine tools from Japan were to former Japanese territories. They increased steadily, but were very small in comparison to the total machine-tool production of the country as is shown in the table below.

Exports of Machine Tools
From 1948 to 1950

Year	Value	Percentage of Value of Total Production
1948	Y 75,000	0.015%
1949	23,794,000	3.4
1950	81,369,000	15.3

Since September, 1951, inquiries for machine tools amounting to almost Y3,000,000,000 have poured in from the United States and England. These are equivalent in value to approximately three years production at the average monthly rate of machine-tool production in Japan between April and June 1951. By the end of 1951, however, these inquiries had resulted only in a contract for fifty automatic lathes secured by the Tsugami Manufacturing Company, Ltd. from an American firm. If Japanese machine-tool manufacturers can secure further contracts as a result of these inquiries there is a possibility for a boom in this industry. The following questions arise: (1) Are Japanese machine-tool manufacturers capable of meeting the demand represented by these inquiries? (2) What is the present condition of the machine-tool market in western countries? (3) Taking the first two questions into consideration, what are the real possibilities of contracts resulting from these inquiries? (4) If Japanese machine-tool manufacturers secure these contracts, how will this affect the machine-tool industry?

Before discussing the above questions let us consider the trends in the postwar Japanese machine-tool industry. The yearly production of machine-tools in Japan between 1945 and 1950 was as follows:

Year	No. Manufactured	Metric Tons	Total Value in Y 1,000
1945	7,306	11,828	128,484
1946	4,791	4,291	88,419
1947	5,544	3,235	148,718
1948	6,457	4,332	488,149
1949	6,579	4,465	696,117
1950	4,039	2,895	530,300

The machinery industry as a whole suffered from a sharp decline in demand after the war. The manufacturers of machinery used in making consumer goods, particularly textile machine manufacturers and sewing machine manufacturers, recovered rapidly after 1947. The machine-tool manufacturers, however, were unable to change to peace-time production as easily as other manufacturers after the war. During the first few years after the war they manufactured chiefly small types of machine tools such as drilling machines, bench lathes, boring machines (particularly cylinder boring machines), and small types of uinversal machine tools that had a relatively large demand and which were used in the manufacturing of machines used to produce consumer goods. The weight per machine tool decreased during this period. The demand for even such small machine tools was also limited, due to the general inactivity of the machinery industry. To make matters worse, some manufacturers that had over-expanded during the war began to sell their machine tools that were no longer in use. These second-hand-machine tools further lessened the demand for new machine tools. The number of machine-tool manufacturers, therefore, decreased from 446 in 1944 to thirty-two at the end of 1950. Of these thirty-two machine-tool manufacturers, only five specialized in the making of machine tools. The remaining twenty-seven machine-tool manufacturers absorbed their deficits by manufacturing various industrial machines as side work. These conditions are still prevalent in the machine-tool industry and the profits of the machine-tool industry are generally less than those of other industries. As has already been mentioned, however, the demand for machine tools has been showing a tendency to increase since September, 1951, with the boom in the machinery industry caused by the Korean war.

The annual output of machine tools in Japan was highest in 1943 with 60,134 machine tools (140,173 tons) coming off the production lines. However, this production was attained during the war when the Government assisted the machine-tool manufacturers by means of the Machine Tool Manufacturers Act. At that time there were 430 machine-tool manufacturers in all. When the machine-tool production facilities were designated for reparations just after the end of the war, the total capacity of the machine-tool industry amounted to 51,000 machine tools per year. The capacity of the member factories of the Japanese Machine Tool Manufacturers Association alone then amounted to 40,000 machine tools per year. However, most of the machine-tool production facilities which were used during the war are for engine lathes and cannot be used for the present purpose of manufacturing single-purpose machine tools. Therefore, the present production capacity for the types of machine tools now in demand is much smaller than the above-mentioned capacity.

According to a survey of the Ministry of International Trade and Industry, the annual equipment capacity of Japan's machine tool industry amounted to 9,768 machine tools (14,775 tons), at the end of September, 1951. The actual monthly production in September, 1951, however, was only thirty-two percent of this monthly production capacity. Even now the machine-tool industry does have enough production capacity to meet overseas demands. But, there is the additional problem of whether the machine-tool industry can manufacture machine tools conforming to the standards of other countries.

The inquiries that have been received by the machine-tool industry up to the present cover almost every kind of machine tool from lathes, milling machines, grinders and sawing

machines to drilling machines. Moreover, these machine-tool inquiries from abroad seem to be for large types of machine tools which must have high precision and productivity. However, the inquiries do not go into details and the machine-tool manufacturers do not know whether they can meet the demand with regard to quality. The techniques of the Japanese machine-tool industry are inferior to those in the United States at present. The Japanese machine-tool industry made remarkable progress during the war, and the quality of some Japanese machine tools was equal to that of the best machine-tools of the same kind then made in western countries. The Japanese machine-tool industry did not make further technical development during the postwar years, however, due to the postwar inactivity of this industry. Furthermore, the steel used by the machine-tool industry is of inferior quality to that used in other countries. On the other hand the machine-tool industry in the United States has recently made remarkable progress in technical development by adopting hydraulic presses and electric measuring tools on their machine tools. Therefore, it will take some time for the machine-tool manufacturers to bring their techniques up to the present international level. However, if provided with up-to-date techniques and high quality steel from other countries, the Japanese machine-tool manufacturers can meet any requirements.

The great number of inquiries regarding machine tools since September, 1951 may be a natural result of the world-wide rearmament program, but it should be pointed out that all of the inquiries received by the machine-tool manufacturers have been from small foreign firms and not from governments or from any of the leading companies in other countries. Recently, however, the Japanese Government sent some information concerning the machine-tool industry to the Defence Department of the United States upon its request. Most of the inquiries from small foreign firms are tentative in nature and do not go into details. It is, therefore, not clear whether they represent actual existing demand. Furthermore, Japanese machine-tool industry as a whole is becoming doubtful regarding these inquiries and does not now feel justified in making great efforts to prepare to secure contracts. It knows that the shortage of machine tools in the United States, for example, can be overcome in a relatively short space of time, as in World War II, if the United States is pushed into another war. At present the production of non-defence goods in that country is hardly curtailed in spite of the stepped up production of defence goods. More guns are being produced without seriously restricting civilian production. This is the main reason for the present shortage of machine tools in the United States. If civilian production in western countries should be further cut down, the shortage of machine tools in these countries might be overcome without need of the help of the Japanese machine-tool industry.

If, however, the Japanese machine-tool industry should secure contracts as a result of these inquiries, it would be a great boon to the machine-tool manufacturers whose business has been very slack since the end of the war. And if the Japanese machine-tool industry should continue to secure contracts from other countries over a period of time, it would be able to improve its techniques to the international level. However, there are numerous difficulties to overcome before the export of machine tools from Japan can be realized. For instance, prices, dates of delivery, and terms of payment must be settled. Adjustments must be made so that Japanese equipment which is designed for meter measurements can produce machine tools from plans based upon yard measurements. Production facilities must be improved and expanded in order to be able to meet requirements and funds must be provided for these purposes.

Most of the recent inquiries regarding machine tools have come from the United States. The bottlenecks retarding the rapid increase in production of machine tools in that country are the following: The primary means of production for machine tools is itself machine tools. New types of machine tools must now be manufactured to make new types of weapons. Therefore, the machine-tool manufacturers in the United States must first make new types of machine tools for their own use in order to expand their production facilities. Moreover, the machine-tool industry is acutely affected by the business cycle and American machine-tool manufacturers are hesitating to expand their production facilities because of the danger of a depression after the rearmament program has been to some extent carried out. Skilled labor is also scarce. Due to price regulations on machine tools, the machine-tool manufacturers cannot make profits with the rising prices of steel, rising wages, and other increasing expenses.

These problems also exist for Japanese machine-tool manufacturers. Therefore, if there is no guarantee by the United States concerning these problems, even if the machine-tool manufacturers in Japan were able to export their machine tools to the United States they would be placed in a difficult position once the boom is over, because the domestic demand for machine tools during the postwar years has been very small and there is little possibility of its increasing in the future.

Also, if the demand for Japanese machine tools from other countries should be a temporary demand lasting over only a short space of time, it would not be a great stimulant to improve the techniques of the machine-tool industry. Since the outbreak of the war in Korea, the automobile industry and the rolling stock industry in Japan have begun to modernize their production facilities and orders for special-purpose machine tools have been placed with a few of the leading machine-tool manufacturers. If there has been any technical development achieved by the machine tool manufacturers during the postwar years, it has been in making these special-purpose machine tools. Most of the recent inquiries that have been received from other countries, however, are for universal machine tools that can be used for mass production. These are types of universal machine tools that were manufactured during the war for the mass production of weapons and have practically no use in peace time. Therefore, even if the machine-tool manufacturers should receive orders for such universal machine tools this would not result in improving the techniques really required by the machine-tool manufacturers for normal peace-time production.

The Japanese machine-tool manufacturers must further modernize and mechanize their production facilities in order to rationalize their industry. If they attempt to do this, however, there is the danger of over-production because the domestic market for machine tools is too small and the modernization and mechanization of machine-tool production facilities, would naturally result in greater mass production of machine tools.

One solution of this problem would be to improve the techniques for manufacturing special-purpose machine tools used in civilian production. The quality of these machine tools should be proportional to the needs of Japan's economy and those of her natural export markets. For Japanese industry the most desirable method for the realization of Japanese-American economic cooperation would be to manufacture civilian goods that cannot be manufactured in the United States in the course of its defense efforts. In the case of machine tools, exports to Southeast Asia are more stabilized than those to the United States. The demand in both domestic market and in Southeast Asia is for types of machine tools used in civilian production.

HONGKONG COMMERCIAL SCENE

By E. A. Thompson

At a time the Hongkong businessman is being hard pressed both directly by local conditions and indirectly by distant events both quite beyond his control, some untoward increases in overheads are compelling him to make corresponding cuts in expenses wherever and whenever possible.

The decision of the Hong Kong and Kowloon Wharf and Godown Company Ltd., largest warehouse proprietors in these parts, to increase their storage charges by 20% from 1st May is one of the worst blows to date. In normal times such a heavy increase would be bad enough but today when huge stocks of every conceivable material are being held almost indefinitely, constituting a principal overhead, it is a much more serious matter. In a recent circular letter from the Godown Company to their clients it has been pointed out that the present tariff was introduced in 1945 and with the exception of certain items has remained unchanged until now. A tone of sweet reasonableness is struck in the circular by the information that existing rates represent an increase of only 200% over those prevailing in 1941 while operating costs show an increase of 500% over that year—an interesting ratio for those who like juggling with figures.

Electricity charges are up by 22% from April onwards, not a very large increase on office Bills but a more serious matter for the home and still more serious for the factories.

The Regulation of Business ordinance is now law and it means an additional annual expense of $200 per business organization with a further $200 for each branch office. Rather puzzling for the street hawker and the man with only desk space and use of a telephone is the fact that he will pay exactly the same amount as a commercial giant like Jardine Matheson. It has been suggested that payment should be scaled somehow, say on business or income tax, but as many of the thousands of businesses in this overcrowded City, so far as the Inland Revenue people are concerned, run like farming in the U.K. at a loss, the idea might meet with difficulty when it comes to actual assessment. That the scheme will work seems assured when it is remembered that the unregistered businessman will be unable to sue and would therefore be fair game for the rogue. More important than the potential revenue to be obtained from this latest turn of the screw is the long awaited, by sound firms at least, of a more effective regulation than the existing Fraudulent Transfer of Business ordinance, which was designed to assist commerce by ensuring publication of a reorganization of firms—an erstwhile all too common method of evading debts and other responsibilities. To the man in the street—the one who pays taxes of some sort or other—it will be of some satisfaction too, to know that those members of the community who do not, apparently, toil, but most evidently reap, will at least contribute something to the Colony's finances.

A serious decline in revenue from the Radio Telephone Services in conjunction with Cable and Wireless has compelled the Hong Kong Telephone Company to warn of an impending increase in their rates. It is of little consolation to those awaiting this latest blow to learn from their announcement that our Telephone services are "amongst the cheapest in the world."

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" . . . . Surprised at your failure to take up our offer . . . . considering the market price at your end quoted . . . . is . . . . thus assuring you of a good profit . . . ." So writes a correspondent from London. A not unusual complaint these days is voiced here. Illustrated of course is the almost complete lack of understanding on the part of many businessmen abroad who know their home markets so well but know so little of the intricacies of trade in Hong Kong. The item in question was Sulfathiazole but it might well have been roofing felt or knitting wool. This commodity was being sold to Hong Kong merchants for as much as 200/- per lb. early in 1951. Its market value here now is only $77. It is being offered presently by European merchants at $70 which theoretically means a profit of 10% for the importer. In the light of present day conditions—there is very little local buying being done—the importer needs a much healthier margin of profit than 10% before he can be tempted to place an order; the speculators might do it but these gentlemen are not quite so active as they were some months ago.

Apart from the possibility of tying up his money for a long period, of greatest concern to the merchants is the possibility—a very distinct one—that manufacturers abroad will reduce cost prices still further; already depressed to Pre-Korean war levels, indent prices of many items are keeping pace with market prices here in Hong Kong. An article that costs a dollar today may be only seventy cents tomorrow. The general attitude in view of still falling cost prices is "wait and see."

Having a thin time of it lately are the innumerable brokers, those working on their own account, and the commission brokers who receive a basic allowance of about $100 per month "rickshaw money" from their respective Hongs. The era of frantic buying and selling has gone, and its going will be mourned by all who lived on their acumen for buying cheap and selling dear or even for that matter just buying and selling. While it may be true that a "spirit of cautious optimism" prevails throughout the Colony the great majority of merchants are cutting staff to the minimum. Many firms even old established ones which have been on the crest of the prosperity wave for many years are now dismissing recent and even older members of the staff and cutting the salaries of others.

Europeans are feeling the pinch too. Bonus and commission have been sharply reduced. Employment contracts are being allowed to expire and in many cases are being cancelled before expiry. All this is not very apparent to the onlooker. The shop windows are still full of expensive goods; the counters are still crowded by well dressed shoppers but many are only window shopping and sales of every kind of merchandise are falling steadily. One establishment that was selling a thousand dollars worth of sundry goods (gew gaws and knick-knacks to the Americans) a short time ago is currently registering daily sales of only $100.

Cinemas are showing a drop in attendance of 30 to 40% over last year's figures. Huge American cars are still purring about the crowded streets but many that once had chauffeurs are now owner driven. The used car market is declining rapidly and advertised prices, to the newcomer, are surprisingly low. Hotels and Clubs that relied on brisk sales of drinks throughout the year for their bread and butter earnings are being hard hit by their patrons' almost universal switch from generous spending to cautious economy. One of the best known and largest European Clubs is running in the red and many others have been bordering on this state for some months. Drinking in the privacy of one's own home although made dearer by the recent increases on spirits is becoming more and more the thing to do.

Report From The Philippines

(From Our Manila Correspondent)

In its quarterly report entitled "TRENDS DURING THE FIRST QUARTER, 1952" the Central Bank of the Philippines frankly and comprehensively reported domestic conditions. The following are excerpts from this report:

PRICES:—Consumers' prices for the first quarter of 1952 continued the downward trend which they started exhibiting in the middle of 1951. The monthly data show that the cost of living went down from 350.0 in January to 348.0 in February and 344.3 in March (1941 = 100).

The index of export wholesale prices moved continuously downward from 255.9 in January to 245.2 in February and 224.7 in March. The decline in export prices reflects the further weakening in demand for Philippine exports, which is part of a world-wide drop in demand for many raw materials.

MONEY AND BANKING:—The money supply declined further by P14 million during the first two months of 1952. The data for March is still unavailable. Money supply at the end of February, 1952 was lower than a year ago by P104.4 million. However, it is still substantially above the level at the end of 1949.

Money supply declined primarily because of the excess of import payments over exports receipts. The decline would have been much greater if invisible receipts had not increased well above payments.

It appears that the cash position of commercial banks improved during the first quarter of 1952. Available and excess reserves advanced by 14.3 and 75.3 percent, respectively, from December 31 levels. Cash in bank vaults increased by 8.2 percent.

Net collections of the 17% exchange tax was heavy during January but thereafter declined to a monthly rate of P11.5 million. This is a little more than P2 million less than the average monthly rate for 1951.

17% Exchange Tax Collections, 1952

(Million pesos)

January	15.37
February	11.59
March	11.59

Movement of the International Reserve and Foreign Exchange Receipts and Disbursements:—

The total international reserve declined during the quarter under review from $303.87 to $288.81 million at the end of March or a drop of $15.06 million. The decline occurred mainly in the net foreign exchange holdings of commercial banks. The international reserve of the Central Bank fluctuated slightly during the quarter but ended at a level which is only $1.25 million less than the level at the end of 1951.

(Million U.S. dollars)

	Central Bank	Other Banks	Total
December 31, 1951	244.42	59.45	303.87
March 31, 1952	243.17	45.64	288.81
Difference	1.25	13.81	15.06

The biggest decline in the reserve occurred during January in the amount of $17.24 million due to abnormally heavy negotiations of letters of credit which were outstanding at the end of 1951. Negotiations during January were higher than in any previous or succeeding month.

Foreign exchange receipts during the quarter fell short of foreign exchange disbursements by the amount of the decline in the international reserve. Total receipts were $16 million less than for the first quarter of 1951 whereas disbursements increased by $19.4 million.

(Million U.S. dollars)

	1951		1952 a/	
RECEIPTS				
Exports (c.i.f.)		119.5		83.6
U.S. Government expenditures	19.0		31.6	
and miscellaneous invisibles	10.8		18.1	
		29.8		49.7
Total		149.3		133.3
DISBURSEMENTS				
Imports (c.i.f.)		104.5		126.5
Philippine Government expenditures		1.7		4.5
Miscellaneous invisibles		22.9		17.5
Total		129.1		148.5

Receipts from exports were much less than the total for the first quarter of 1951. On the other hand, U.S. Government expenditures and other invisible receipts went beyond what was expected at the beginning of the year.

a/ Up to March 28, 1952. Exclusive of the Cebu branches of the China Banking Corporation and the National City Bank of New York.

EXTERNAL TRADE:—The total trade for the first three months of 1952 showed a net import surplus of P59.5 million with imports at P232.6 million and exports at P173.05 million. The monthly trade balances were consistently negative. For both imports and exports, the January figures were the highest and those of March the lowest. The biggest increase in imports during the first quarter of 1952 occurred in January and the biggest decrease in exports, in February.

Compared to the record for the same period in 1951, import arrivals in 1952 were bigger by P51.4 million or 28.4 percent while export shipments were smaller by P74.5 million or 30.1 percent. The terms of trade continue to be unfavourable although it appears to have improved slightly in January.

(a) Imports:—Of the total imports for January of P86.4 million, 3.2 percent were decontrolled goods, 61.5 percent were controlled essentials, 34.1 percent controlled nonessentials and 1.2 percent goods to be completely banned in July, 1952. Producers' goods constitute 63 percent of the total and consumers' goods, 37 percent.

(b) Exports:—Export shipments during the first quarter of 1952 continued to decline from one month to the next. Although the volume shipped in January, 1952 was greater than the January, 1951 volume, that for February and March were lower than for the same months in 1951.

The market for both copra and coconut oil continued to be weak. The local price index for copra declined from 208.3 in January to 182.7 in February and 152.8 in March. If adjusted by the cost of living index, the absolute local price of P19.85 per 100 kilos in March, 1952 is only P5.77 compared to P14.61 for 1937; P3.96 for 1940; and P10.06 for 1951. The price for coconut oil registered similar reductions. There was an increase of 13.7 percent in the volume of January, 1952 shipments of coconut products over those of January, 1951 but a decrease of 21.6 percent in value due to the price declines. In February shipments, volume declined by 37.1 percent and total value by 60.5 percent compared with the figures for the same month in 1951.

Centrifugal sugar exports declined in both volume and value during January and February, 1952 compared with the

same months in 1951. A total decline of 29.5 percent in volume and 35.9 per cent in value was registered.

Abaca unmanufactured increased by 3.9 percent in volume during January compared to last year but suffered a decline in value. In February, 1952 a reduction occurred in both volume and value from the 1951 levels of 18.1 percent and 35.4 percent, respectively.

Logs and lumber enjoyed sizeable advances in their January, 1952 export volume and value over that of January 1951. A gain of 75.5 percent was made in volume and 146.5 percent in value. In February, however, a reduction of 85.5 percent in volume and 80.2 percent in value from the corresponding month's level a year ago was shown.

Iron ore exports continued to make great strides, with the 1952 two months' total shipments amounting to 163,524 metric tons worth P2,984,414 as compared to 74,602 metric tons valued at P1,022,459 during the same months in 1951.

EXTERNAL TRADE

January - March 1952

(F.O.B. value in thousand pesos)

	Imports	Exports
1952:		
January	86,371	67,358
February 1/	73,543	54,884
March 2/	72,696	50,816

1/ Tentative

2/ Foreign Exchange receipts and disbursements

Far Eastern Economic Reports

CEYLON RUBBER EXPORTS

The United Kingdom was the biggest buyer of Ceylon rubber in March. Her purchases totaled 2,392 tons. The other principal buyers were: U.S.A.—1,066 tons; Italy—839 tons; Canada—541 tons; Poland—451 tons; France—449 tons; Holland—372 tons; China—300 tons; Germany—249 tons; and India—120 tons.

The total quantity exported was 7,335 tons. Local consumption amounted to 17 tons. Total production for the month was 7,000 tons made up as follows:— Estates—6,000 tons and Smallholdings—1,000 tons.

PAKISTAN'S FOREIGN TRADE

Pakistan's sea-borne trade on private account (excluding trade on government account, and inland trade with India, Nepal, and Afghanistan) reached a new high level in 1951, with exports valued at PRs 2,003 million (PR 1 = US$0.302) and imports at PRs 1,415 million, an increase over 1950 of almost 55 per cent in exports and 32 per cent in imports. Japan replaced the United Kingdom as Pakistan's principal supplier. Imports from Japan totaled PRs 358 million, principally textiles and machinery; from the United Kingdom, PRs 327 million; the United States, PRs 95 million; Italy, PRs 86 million; and India, PRs 72 million. Other important suppliers were Hongkong, China, Malaya, France, Belgium, and Egypt. The United Kingdom remained Pakistan's main customer, with purchases valued at PRs 314 million. Next in importance were Japan (PRs 256 million) and France (PRs 212 million). Exports to Italy, China, Germany, Hongkong, and the United States also were substantial.

The most important commodity export in 1951 was cotton, totaling PRs 962 million, or 48 per cent of total exports; jute was second, valued at PRs 714 million, or 36 per cent; then came grain and pulses, raw wool, tea, hides and skins. Cotton goods were the most important import, valued at PRs 562 million, or 40 per cent of total imports; machinery items amounted to PRs 138 million, or about 10 per cent. Other important items were iron and steel products, vehicles, chemicals, paper, hardware and cutlery, electrical goods, and dyestuffs.

INDIAN GOVERNMENT FINANCES

In recent years, when formulating its budgets, the Indian Government has been striking a balance between the need to restrict government spending to avoid the generation of further inflation and the demands for increased expenditure on national development without which the country's progress cannot be maintained. While in the fiscal years 1948-49 and 1949-50 there was an over-all budgetary deficit involving the withdrawal of Rs 1,240 million from the accumulated cash balances, in 1950-51 there was a small over-all surplus of Rs 120 million. The budget for 1951-52 provided for a surplus on revenue account of Rs 261 million and a deficit of Rs 779 million on capital account, leading to an over-all deficit of about Rs 520 million. The revised estimates for 1951-52, however, indicate that the over-all deficit may be no more than Rs 40 million; the surplus on revenue account is estimated at Rs 926 million, arising largely from increased receipts from export and import duties and income tax; expenditure on food subsidies and rehabilitation of refugees is expected to be slightly greater than originally estimated. Capital expenditure provides for increased allocations to the River Valley schemes and advances to State Governments for expenditure on development, in addition to the transfer to a Special Development Fund of the proceeds from the sale of American wheat purchased with the loan made available by the United States. The deficit in the capital budget, however, is placed at Rs 966 million, mainly because of the credit for Rs 900 million on account of the U.S. Wheat Loan.

The budget estimates for 1952-53 place revenue receipts at Rs 4,250 million and expenditure at Rs 4,063 million, leaving a surplus of Rs 187 million. Expenditure on capital account includes an outlay of Rs 687 million by the Central Government and loans to State Governments of Rs 828 million, of which Rs 250 million will come from the Special Development Fund. The over-all deficit is estimated at Rs 560 million, which will be well within the balance of payments deficit anticipated for that year and will therefore not affect materially India's inflationary position.

INDIAN GOVERNMENT CONTROL OF INVESTMENT

The Indian Parliament has extended the life of the Capital Issues Act, enacted during the war, until March 31, 1956, the end of the Five-Year Plan period. The Act is intended to ensure that capital, both domestic and foreign, is not invested in non-essential projects or those contrary to government policy. It also enables the Government to control the indiscriminate issue of bonus shares which has increased since 1948. Reviewing the working of the Act in 1950 and the first half of 1951, the Finance Minister said that consent for capital issues was generally given rather more freely than during and immediately after the war. Consent was given freely if the capital was required for industries within the government plan; grounds for refusal were that the projects were outside the plan, or that the proposed businesses were speculative and not in the public interest, or were indefinite and immature. Consent for new banking and insurance businesses was generally refused on the ground that these fields were already overcrowded or that the financial position of the applicants was unsatisfactory. Consent for bonus issues also was usually refused on the grounds of unsatisfactory financial condition. During the year and a half under review, out of 537 applications of all categories, involving Rs 1,218 million, 443 were sanctioned for capital issues of Rs 1,056 million, and 94 were refused. Of 147 applications involving foreign investment of Rs 191 million, 123 were approved, and 24, involving Rs 2.2 million, were refused. The control was instrumental in preventing investible capital of Rs 162 million (Rs 80 million if bonus issues are excluded) from going into undesirable channels.

JAPANESE CEILING ON STERLING EXPORTS

As a measure against further accumulation of sterling, the Japanese Ministry of International Trade and Industry has announced that annual exports to the sterling bloc will be pegged at $650 million, with export quotas set for eight major items. The new regulation will be in effect for one year, March 1952-February 1953. It is estimated that sterling holdings at the end of March will be over £100 million. The Ministry hopes to bring them down to £70 million by the end of February 1953. The export quotas on the eight items are as follows: iron and steel products, 492,000 tons; cotton yarn, 27 million pounds; cotton cloth, 690 million square yards; rayon yarn, 18.2 million pounds; rayon fabrics, 186.2 million yards; staple fiber yarn, 5.5 million pounds; rayon staple, 23 million pounds; and staple fiber fabrics, 47.5 million square yards.

In allocating the export quotas, the Ministry will give preference to countries having trade agreements with Japan. Pakistan and Burma will receive top priority; next in order of preference will be intermediate trade areas, such as Hongkong and Singapore, and then countries such as Britain and Australia. The quotas will be based on the 1950 and 1951 records, with 90 per cent of the export quota allocations going to old export firms; the remaining 10 per cent will be allocated to new export firm, in order of application.

INDIA'S BALANCE OF PAYMENTS

Preliminary estimates of India's balance of payments on current account for the year ended December 31, 1951 indicate a deficit of Rs 1,290 million, against a surplus of Rs 575 million for the year ended December 1, 1950. The 1951 figure includes Rs 600 million toward payment for foodgrains under the U.S. Wheat Loan Agreement in respect of which there are corresponding receipts on capital account. The deficit with the dollar area is estimated at $14 million, against a surplus in the previous year of $70 million which accrued to the sterling area central reserves.

INDIA-U.K. TRADE

India's exports to the United Kingdom in 1951, valued at £153 million, were 56 per cent above those in 1950, and imports at £115 million were 37 per cent above 1950. The export surplus of £38 million compared with a surplus of £1 million in 1950. Tea was again India's leading export item, comprising 29 per cent of her exports to the United Kingdom and 60 per cent of the U.K. tea imports; their value was 25 per cent greater than in 1950. Jute manufactures, ranking second and comprising one sixth of India's exports to the United Kingdom, were about four times the value in 1950 and over twice that in 1949. India's leading import from the United Kingdom was machinery, valued at £34 million or 29 per cent of her total imports from that country. This was a decrease of 5 per cent from the 1950 figure, however.

CEYLON'S CAPITAL OUTFLOW

Capital outflow from Ceylon in the second half of 1951 amounted to Rs 40 million, compared with Rs 38.6 million in the first half of 1951 and Rs 36.2 million in the entire year 1950. The 1951 figure includes the repatriation of direct investment in Ceylon and the withdrawal

FINANCIAL REPORTS

HONGKONG EXCHANGE & GOLD MARKETS

Report for the week 28th April—3rd May:—

GOLD: High & low for .945 fine tael $301⅜—295½, for .99 fine tael in Macao and Canton resp. $312⅞—306½ and $311—306. (Inspite of persecutions Canton market transacts business on small scale, following Macao rates and market developments in Hongkong). Day-to-day rates here were: $301⅜—296½; 301⅛—298½; 299⅝—297⅞; 298⅞—296⅝; 300½—296-5/8; 298⅝—295½. Crossrates US$40.10—39½; cif Macao prices for contracted 86,400 ozs US$39.97—39.37. New contracts high as dealers expect higher demand in Malaya, Siam and India.

Market ruled uncertain. World prices touched US$37 and local reports had it that African (Gold Coast, South Africa) were keen offerers of free market gold at slight premium over official price (US$35 US Treasury buying). Only firm TT New York trend pulled gold rate back into shape; this development was brought about partly by speculative hedging in US$ following on Korean war appraisal in the light of probable breakdown of truce parleys. Bulls were more conspicuous in the market considering that record low has now been reached and that free market will soon stage comeback. Record tradings were the result and hordes were on the increase. Much of the imported gold, via Macao, still goes into local vaults—a surprising matter as trade slump has now lasted for a few months and prospects for improved China trade are none too good. The wealth stored up in this little colony is vast and cannot be properly estimated—too much of the flight capital having come here since 1947 has never reached banks, local and foreign, remaining in private strongrooms and various hiding places.

Change over interest totaled for week $3.61 per 10 taels, in favour of buyers. Arrivals in Macao and new contracts will soon change the interest in favor of sellers. Tradings: 205,200 taels or daily average of 34,200. Positions per average day: 104,500 (but for importers and the Swatow group who were sellers all other groups overbought). Cash sales: 37,020 taels of which 21,020 officially listed. Imports: 12,000 taels, from Macao. Arrivals in Macao: 40,000 ozs. Not all of unloaded gold (from flying boats) is recorded by Macao treasury as importers manage to bring in duty-free considerable quantities thus 'saving' the 3 patacas per oz which Macao govt levies on imports; an inquiry is proceeding in the Portuguese province of Macao but little improvement is foreseen as the group of importers are very 'experienced' in their trade. The importers who are also connected with the exporters (actually smugglers of gold into Hongkong) do not pay any export duty as Macao govt does not officially take cognisance of the fact that practically all gold imported into Macao is smuggled out from there and into Hongkong for redistribution to southeast Asian and Indian customers. Exports from Hongkong (unrecorded) for the week totaled 15,000 taels which were consigned to Singapore of the proceeds from the sales of some British-owned plantations.

THAILAND'S TRADE NATIONALIZATION PLANS

Plans for nationalization of trade are now being considered by the Thai Government. According to the Ministry of Commerce only Thai-owned firms would be allowed to do business. The first item to come under the plan would be the rice export trade. At present Thai rice exports are handled mostly by foreign firms of which the Siam Rice Agency, a British organization, is the largest.

JAPANESE "INVISIBLE" TRADE

The "invisible" receipts in the Japanese balance of payments in 1951 rose to $939 million, from $235 million in 1950. The largest item was foreigners' expenditures in Japan ($581 million), which consisted mostly of special procurement goods and services made available to the Allied Forces in Japan. Other major items were general remittances ($141 million), GARIOA (Government and Relief in Occupied Areas) reimbursement ($136 million), and transportation ($9 million). Invisible payments in 1951 amounted to $176 million, compared with $30 million in the preceding year. The main items, in order of magnitude, were general remittances, transportation, Japanese expenditures abroad, payments incidental to foreign trade, communications, and remittances by the Government.

PHILIPPINE IMPORT EXCHANGE ALLOCATION

The dollar exchange, amounting to US$180 million, certified by the Central Bank of the Philippines to the Import Control Commission for imports in the first half of 1952 has been allocated by the Commission as follows: $10 million to government agencies; $72 million to producers; $87 million to former importers; and $11 million to new importers. Moreover, dollar allocations granted to former importers in excess of their 1951 import quotas are to be charged against those importers' quotas for the first half of 1952.

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UNION INSURANCE SOCIETY OF CANTON, LIMITED

Notice to Shareholders

Notice is hereby given that the ORDINARY YEARLY MEETING of the Society will be held at the Head Office of the Society, Union Building, Hongkong, on Thursday, 22nd May 1952 at 11.30 a.m., to receive the Directors' Report and the Statement of Accounts, to declare a dividend and to transact the ordinary business of the Society.

The SHARE TRANSFER BOOKS of the Society will be CLOSED from 3rd May to 22nd May, both days inclusive.

By Order of the Board,

L. B. STONE
General Manager.

Hongkong, 18th April 1952.

NOTICE

THE DOMINION RUBBER COMPANY, LIMITED.

(Incorporated under the Companies Ordinance, Hong Kong)

NOTICE IS HEREBY GIVEN that the Thirty-third Ordinary General Meeting of the Company will be held at the Registered Office of the Company, 101/2 Edinburgh House, Queen's Road Central, Hong Kong, on Friday, 6th June, 1952 at 12.15 p.m. to adopt the Report and Accounts for the year ended 31st December, 1951, to declare a Dividend, to elect a Director, to elect Auditors and to transact any other ordinary business.

The Transfer Books and Share Register of the Company will be closed from 28th May to the 6th June, 1952, both days inclusive.

By order of the Directors,

A. R. BURKILL & SONS, LTD.
Secretaries & General Managers.

Hong Kong, 8th May, 1952.

THE HONG KONG JOCKEY CLUB

SEVENTH RACE MEETING

Saturday 10th and Saturday 17th May, 1952

(Held under the Rules of The Hong Kong Jockey Club)

There are 20 races. The First Bell will be rung at 1.30 p.m. and the First Race will be run at 2.00 p.m. each day.

Through Tickets (20 Races—$40.00) may be obtained at the Compradore Office of the Treasurers, 1st floor, Telephone House, also tickets for the Special Cash Sweep on the "Hong Kong Derby" scheduled to be run on 31st May, 1952.

Through Tickets reserved for the meeting but not paid for by 10.00 a.m. on Friday, 9th May, will be sold and the reservation cancelled for future meetings.

THERE WILL BE NO SPECIAL CASH SWEEP ON THE LAST RACE

To avoid congestion at the Club's Office at Telephone House, non-members are requested to purchase their sweep tickets at the Club's Branch Offices at:—

5, D'Aguilar Street, Hong Kong or 382, Nathan Road, Kowloon

TOTALISATOR

The attention of Totalisator Investors is drawn to the following rules:—

Dividends will be paid on the winning and placed ponies so declared by the Stewards when the "All Clear" is given. The "All Clear" signal will be indicated by a white light at the Totalisator Tower. BACKERS ARE ADVISED NOT TO DESTROY OR THROW AWAY THEIR TICKETS UNTIL AFTER THE "ALL CLEAR" SIGNAL HAS BEEN EXHIBITED.

Totalisator Tickets should be examined and checked before leaving the Selling Counters as mistakes of any description cannot be rectified later.

Cash received in respect of Dividends should be checked before leaving the Pay-Out Counters as no claim for short payment of the value of tickets presented can be entertained once Investors have left the Counters.

All winning tickets and tickets for refunds must be presented for payment at the Race Course on the day to which they refer, but none will be paid later than one hour after the time for which the last race of the day has been scheduled to be run.

In no circumstances will any Dividends be paid or refunds made unless a ticket is produced. Payment WILL NOT be made on torn or disfigured tickets.

MEMBERS' BADGES AND ENCLOSURE

Members and guests are reminded that they and their ladies MUST wear their badges prominently displayed throughout the Meeting.

NO ONE WITHOUT A BADGE WILL BE ADMITTED TO THE MEMBERS' ENCLOSURE.

Badges admitting ladies not in possession of Brooches or Season tickets and gentlemen, non-members of the Club, to the Members' Enclosure and Club Rooms at $10.00 per day including tax, for ladies or gentlemen are obtainable through the Secretary at Telephone House, on the written or personal introduction of a Member, such member to be responsible for all visitors introduced by him, and for payment of all chits, etc.

Only a limited number of badges admitting to Members' Enclosure will be on sale at the Race Course.

The Branch Offices, the Treasurers' Compradore Office and the Secretary's Office will close at 10.00 a.m. and the Secretary's Office at 11.45 a.m. each day. The Treasurers' Compradore Office and the Secretary's Office are situated at 1st Floor, Telephone House.

A limited number of tiffins will be obtainable at the Club House provided they are ordered in advance from the No. 1 Boy (Tel. 27818).

NO CHILDREN WILL BE ADMITTED TO THE CLUB'S PREMISES DURING THE MEETING.

PUBLIC ENCLOSURE

The price of admission to the Public Enclosure is $3.00 per day including tax for all persons including Ladies, and will be payable at the Gate.

BOOKMAKERS, TIC TAC MEN, ETC., WILL NOT BE PERMITTED TO OPERATE WITHIN THE PRECINCTS OF THE HONG KONG JOCKEY CLUB.

MEALS AND REFRESHMENTS WILL BE OBTAINABLE IN THE RESTAURANT IN THE PUBLIC ENCLOSURE.

SERVANTS' PASSES

Servants' passes will be issued to private box holders only, who are requested to distribute them with discrimination and to endorse their names on the passes. Holders of such passes are not permitted in the Members' Enclosure except for passing through on their duties and must remain in their employers' stands.

Owing to the congestion in the Members' Betting Hall and at Booths adjacent to Boxes in the Coffee Room, Box-holders and Members are requested to ensure that their servants make use **only of the Public Betting Hall.** Military Police will be posted at various points in the enclosure to ensure that this regulation is adhered to.

By Order,
H. MISA,
Secretary.

9000 taels, and to Bangkok 6000 taels. Profits are more attractive as overseas prices have not changed very much while local prices have dropped considerably during the last few weeks. Thus exports are encouraged.

US$: High & low for US notes HK$656¼—645½, DD 656½—648, TT 659—650 equiv. to crosses between US$2.46—47. Day-to-day TT rates: 654½—650; 655—652; 656—653¼; 656½—654; 659—655; 657½—654. Note rates, high & low: 652¼—645½; 652½—648¾; 654—649½; 654⅜—650½; 656¼—651¼; 654—650⅝. Sales: TT sector US$2¾ million, DD 375,000, notes spot 627,000, futures 10,150,000.

Rates turned steady and undertone was firm. In TT sector gold importers were good buyers which were supplied mainly by note dealers (who found it profitable to ship notes to US profiting from the about 3 points difference in TT and notes). Merchant demand was on the increase as imports from US were more lively. Bangkok and Manila were sellers of TT New York and drafts. In the notes sector hedgers were strong sellers. Interest in the forward market totaled $3.10 per unit. Overseas Chinese remittances were arriving in small numbers and small amounts.

SILVER: Rates per tael $6.67—6.65, per dollar and small coins resp. 4.29 and 3.29. Tradings: 4000 taels, 16,000 dollar, 5000 small coins. Imports from Macao were coming in but the quantity was far short of what local exporters require. Origin of silver is China. Most of the stock in Macao is held on behalf of communist authorities. Some smuggling of silver (in coins) out of China is helping increase Macao trading stock.

BANKNOTES & DD: DD Singapore quoted $1.865—1.865, Manila 2.34—2.32, Bangkok .308, Tokyo, in HK$ per US$6.57—6.54. Sales: 750,000 Mal. dollars, 610,000 pesos, 2½ m. baht, 120,000 US dollars. Lively trading conditions and much inquiry. Rates ruled steady.

Banknote rates: London 15.97—15.95, Australia 12.44—12.43, New Zealand 13.88—13.85, Egypt 13.50, South Africa 15.95—15.90, India 1.195—1.18, Pakistan 1.22, Ceylon 1.06, Malaya 1.81—1.806, Canada 6.56—6.50, Manila 2.36—2.35, Macao 1.08—1.05, Indochina .132—.127, Bangkok .306—.305, Indonesia .303—.30, Japan per 100 yen 1.66—1.60.

CHINESE EXCHANGES: Taiwan yuan quoted per 100 yuan $26—25.60, DD Taipei 26½—25½. Sales in notes 15,000 yuan, in DD 2¼ million. Gold and US$ transfer quoted resp. 103 and 101.

Taiwan currency proved stable and reports about economic conditions in the island were favorable. The govt there was considered to be acting fairly and in the interest of the population of the island. US assistance and prospects of continued US aid have improved the morale in Taiwan. Many Hongkong merchants have gone to Taiwan where business prospects are encouraging. As Taiwan showed signs of prosperity and good government there was asserting itself, local feeling, previously very critical of the regime now in power in Taipei, changed slowly until today there is, in contrast to the spreading abhorrence of the terror in China, much sympathy with the exiled KMT. The conspicuous flying of the KMT flag in Hongkong is only another proof for the changing sentiment here which, to a good deal, is based on the hard facts of the economic improvement in Taiwan.

People's Bank of China currency quoted per one million $194—192, DD Canton 231—229, Amoy 194—192, and sales were resp. 70 million yuan, 110 m. and 90 m. Remittances with Amoy in US$ quoted per one HK$5.70—5.62. Exchange with Canton quoted HK$90 for 100 in China. Exchange in gold and US$ with Shanghai quoted resp. 88 and 84.

The now concluding campaign in China has netted the Peking regime considerable exchange and treasure estimated at over US$200 million in total value composed of gold, silver, US and HK and other foreign currency and hidden accounts in foreign countries other than the US (where they are frozen). HK currency has been sent down to the Colony where it has been deposited with the local official Chinese banks. This amount was estimated at HK$35 million. The local branch of Peking's Bank of China has bought large amounts of sterling—approx. one million so far but more buying orders are out and there is a market report which speaks of the Bank of China being out to buy up to 10 million sterling. That Peking was successful in making members of the bourgeoisie disgorge their last hoards—which was part of the purpose of starting the 5 antis campaign—has been regarded here as heralding some new buying orders by Peking authorities. The accumulation of sterling by the Bank of China may also indicate that imports into China will soon be resumed on a larger scale. There is further the report of considerable shipping of silver from Canton to Macao probably with the intention to sell that precious metal if exchange is required to pay for certain imports. The question is what sort of imports Peking will require and whether they can be exported from manufacturing countries direct to China ports or via Hongkong.

Peking is not content with the results of the 5 antis campaign; so far only landowners, merchants and miscellaneous bourgeois were squeezed but now the house owners and shop keepers are about to get it. The expropriation is severely pushed in 'New Democratic' China; it seems that the stage is being set to introduce the blessings of socialism as conceived by the Chinese communists. The liquidation of the middle classes has auspiciously begun and when the property owners have been 'exposed' and made to repent, in cash and real estate, the cause of the proletariat should have been greatly promoted. That is now being done in China.

NEW COMPANIES IN HONGKONG

The following new private companies were incorporated in Hongkong during the week ended May 3, 1952:—

Lai Yuen Enterprise Company, Limited, Business of theatre, music hall, concert hall, ballroom, etc.; Nominal Capital, $2,000,000; Registered Office, Lai Chi Kok Amusement Park, Lai Chi Kok, Kowloon, Hong Kong; Subscribers—Chang Chung Kuang, 275 Prince Edward Road, 1st floor, Kowloon, Merchant; Yao Zen Yih, 159 Waterloo Road, Kowloon, Merchant.

Bangour Investments Limited, To undertake and to transact all kinds of investment and agency business; Nominal Capital, $20,000,000; Registered Office, 18 Pedder Street, Victoria, Hong Kong; Subscribers—David Campbell Geddes, 18 Pedder Street, Hong Kong, Merchant; Harold James Young, 18 Pedder Street, Hong Kong, Chartered Accountant.

Chiu Ping Company, Limited, Import and Export business; Nominal Capital, $100,000 Registered Office, 14 Queen's Road Central, 2nd floor, Victoria, Hong Kong; Subscribers—Kwan Ching Tak, 43 Peking Road, Kowloon, Merchant; Ho Shiu Hung, 65 Sai Yeung Choi Street, Kowloon, Merchant.

Asbestos Traders Limited, To acquire and hold, trade or deal in shares, stocks, debentures, etc.; Nominal Capital, £50,000; Registered Office, Telephone House, 3rd floor, Victoria, Hong Kong; Subscribers—Charles Herbert Arnhold, Telephone House, Hong Kong, Merchant; Harold John Armstrong, 561 The Peak, Hong Kong, Solicitor.

China Union Lines, (Agencies) Limited, Business of shipowners, charterers, etc.; Nominal Capital, $200,000; Registered Office, Room 603B, Bank of East Asia Building, Des Voeux Road Central, Victoria, Hong Kong; Subscribers—Shen Chu Pao, 326 King's Road, 2nd floor, Hong Kong, Secretary; Henry Wong, 6 Garden Terrace, 2nd floor, Hong Kong, Shipping Adviser.

Kin Loong Hong, Limited, Importers, exporters, merchants, etc.; Nominal Capital, $1,000,000; Registered Office, 15 Bonham Strand West, 1st floor, Victoria, Hong Kong; Subscribers—Wang Yuin-Hsiang, 44 Des Voeux Road West, 2nd floor, Hong Kong, Merchant; Chur Tse-Sheng, 14 Cameron Road, 1st floor, Kowloon, Merchant.

The Kowloon True Light Middle School, To promote and protect the faith of Christianity; To promote and encourage learning and education; Unlimited number of members; Registered Office, 115 Waterloo Road, Kowloon, Hong Kong; Subscribers—R. C. Lee, Embassy Court, 84 Hysan Avenue, Hong Kong, Merchant; Ruth H. Walline, 6, Humphreys Street, 3rd floor, Kowloon, Married Woman; Ma Shun Ying, 9 Devon Road, Kowloon Tong, Kowloon, Married Woman; Wong Mau Lam, 252 Prince Edward Road, Kowloon, Merchant; George She, St. John's Hostel, Bonham Road, Hong Kong, Clergyman; K. Lam, 322 Prince Edward Road, Kowloon, Merchant; Y. K. Kan, 43A Conduit Road, Hong Kong, Solicitor.

NORTH POINT WHARVES, LIMITED

NOTICE is hereby given that the Fourth Annual General Meeting of the Shareholders will be held in the offices of the Union Trading Co., Ltd., York Building, Chater Road, Victoria, Hong Kong, on Friday, the 30th May, 1952, at 11.00 a.m. for the following purposes, namely, to consider the annual statement of accounts and the balance sheet, and the reports of the Directors and Auditors thereon, to elect Directors and Auditors in the place of those retiring, to declare a dividend, to appropriate the balance of Profit and Loss Account as recommended by the Directors, and to transact any other ordinary business of the Company.

AND NOTICE is also given that the Share Transfer Register will be closed from 20th May, 1952, to 30th May, 1952, both days inclusive.

S. M. CHURN,
Chairman.

Hong Kong, 12th May, 1952.

Published and edited by ERIC E. HALPERN for and on behalf of The Far Eastern Economic Review Ltd., at 322, Queen's Building, Victoria, Hongkong.—Telephone: 32429. Cables: Ficom.

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